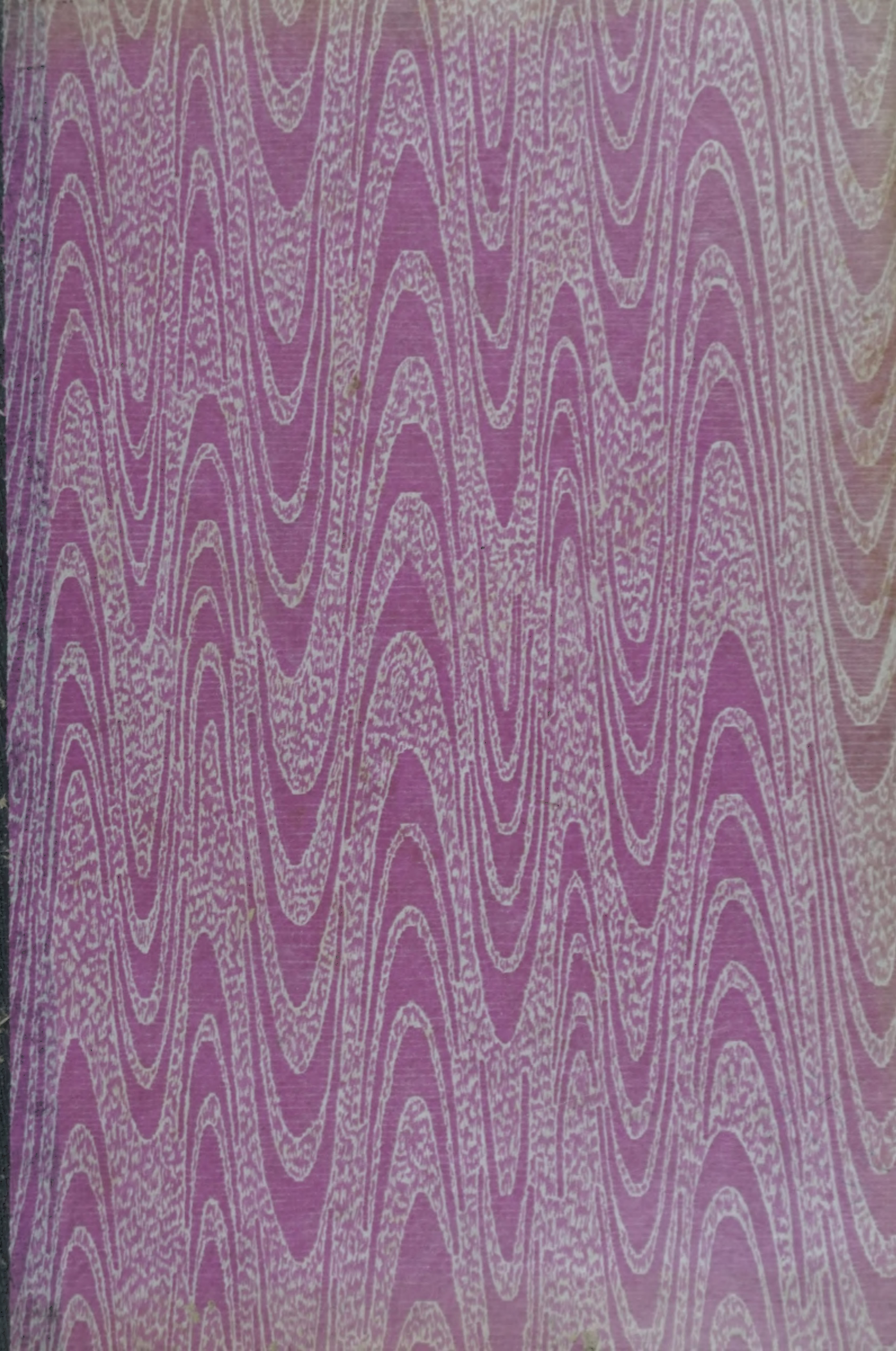

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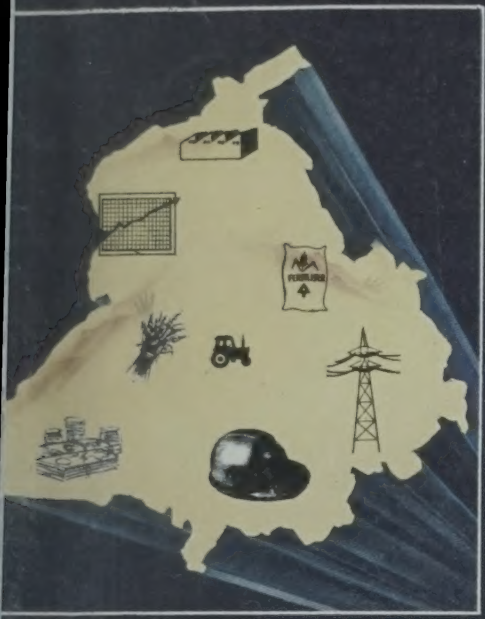

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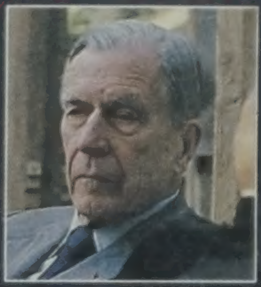

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JOHN KENNETH GALBRAITH

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BACK IN THE TAKEOVER GAME

SWASTIK SURFACTANTS

LAKSHMI MACHINE WORKS

GODREJ & BOYCE

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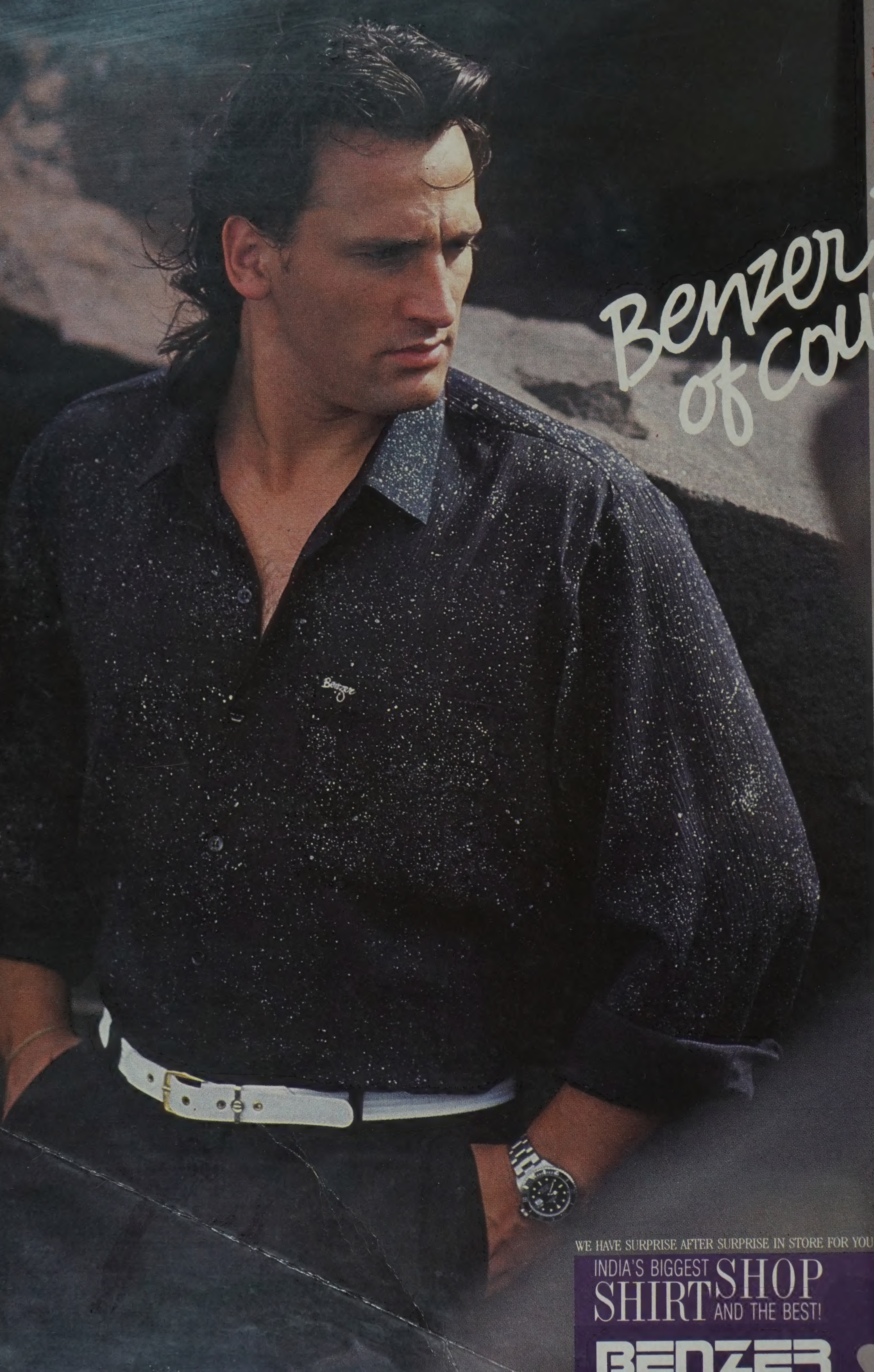

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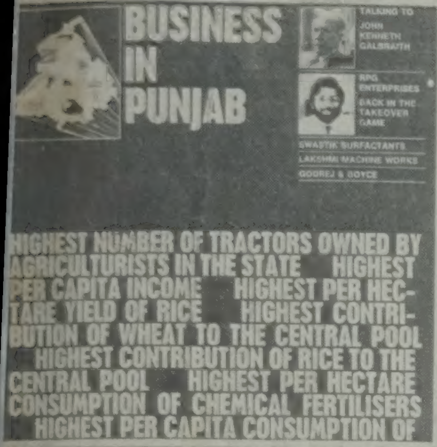
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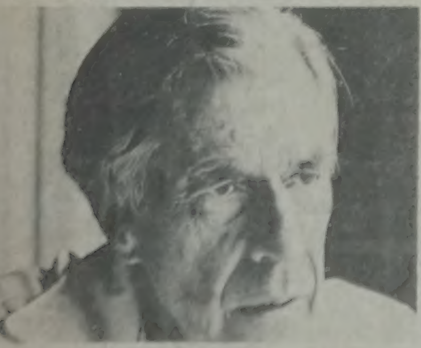

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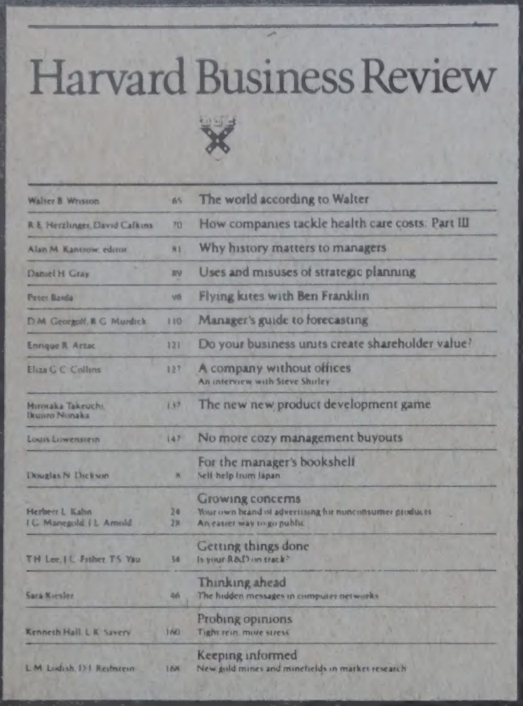

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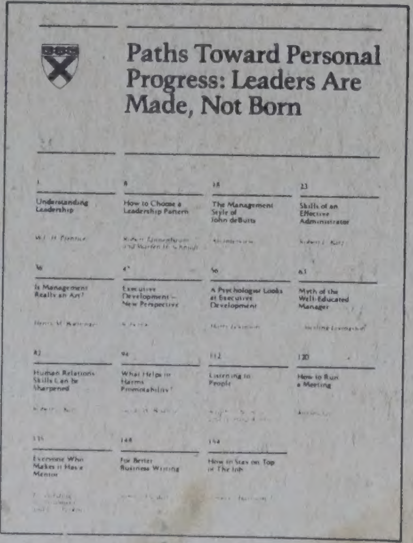

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LETTER FROM THE PUBLISHER

A little over five years ago, we did a cover story on the then growing troubles in Punjab. But rather than look at the political aspects, which even then made headlines daily, we looked at the situation from an economic and business point of view.

It is now well accepted that initially the problems stemmed from essentially economic grievances. The Jat Sikhs, who are the landed farmers, demanded more power, water and other agricultural inputs at cheaper rates. They also wanted higher procurement prices for wheat and rice, and in these demands they were naturally supported by the middle and even marginal farmers. This was the backbone of the Akali support. And while Punjab had a fair share of small and medium industries, it sorely lacked investments in heavy industry, large projects and the newer industries such as petrochemicals and electronics.

Undoubtedly, after Operation Bluestar, the assassination of Mrs. Gandhi, the killing of Sikhs in Delhi and elsewhere in the aftermath and the killing of Longowal, political considerations have come to the fore. But behind the political issues there are also the economic realities which persist.

With the success of agriculture, mechanisation and prosperity, large numbers of Sikh youths are not really required on the farm. More than a million youths have been added to the workforce in the last 5 years, but have not been truly absorbed. While Punjab continues to supply wheat and rice to the nation, there is little investment in higher value agricultural products, such as fruits and vegetables. There is also still little emphasis on industry.

For this time's cover story, our correspondent Anoop Saxena travelled to different parts of Punjab and reported on day-to-day life in the state. The people of Punjab, both Hindus and Sikhs, have faced these troubled times with their usual courage.

Undoubtedly, business has been badly hit, particularly in the northern-most districts of the state, namely Amritsar, Gurdaspur and Faridkot. The southern districts have been affected much less so by terrorist activities. Without going into the politics, clearly an honourable settlement will have to be worked out.

But, at the same time the Punjab economy continues to grow strongly. Reportedly, in this last year, it grew by 7.5 per cent, compared with the estimate of a little under 9 per cent for the national economy. In fact, most outsiders are surprised to learn, that in spite of the strife, agriculture, trade and industry, with some necessary adjustments, continue to function and grow.

It is truly a story of amazing resilience.

Ashok H. Advani

LETTERS TO THE EDITOR

• Incorrect picture of Nagarjuna
The article on the Nagarjuna group (22 August) presents a wholly incorrect picture. As your correspondent has repeatedly stated that most or all of the companies in the group are performing poorly, we would like to state the factual position regarding each company so that your readers may judge for themselves.

The group's flagship company, Nagarjuna Steels Limited (NSL) which went on stream in 1977-78 with the production of cold rolled steel strips was able to exceed the rated capacity in the tenth month of its operations and declare a dividend in the second year itself.

In the last five years, the company's turnover rose from Rs.12.66 crores to Rs.43.28 crores and the profit before tax (PBT) for the same period showed a compounded annual growth rate of 28 per cent. Nagarjuna Finance Limited (NFL) which commenced operations in 1983-84 with disbursals of Rs.8.63 crores has registered an annual compounded growth rate of 33 per cent.

Nagarjuna Investment Trust Limited (NIT) and its wholly-owned subsidiary, Nagarjuna Hire Purchase Limited, commenced operations in 1983-84. The gross disbursals increased from Rs.5.13 crores in 1985 (the first full year of operations) to Rs.7.59 crores in 1987 and PBT during the same period from Rs.94 lakhs to Rs.1.16 crores.

Nagarjuna Signode Limited (NSG) which accounted for a turnover of only Rs.4.26 crores (in its first full year of operations) has touched Rs.14.98 crores in 1987-88, ie, an annual compounded growth rate of 52 per cent.

From an operating loss of Rs.1.27 crores in the first year, NSG has done well to turn the corner and report a PBT of Rs.99 lakhs in 1987-88.

Nagarjuna Coated Tubes Limited (NCT) which specialises in the manufacture of high-strength on-line coated tubes is one company in the group which is yet to make profits. A rehabilitation plan was approved by the financial institutions in April 1987 and this had an immediate impact. The turnover doubled from Rs.4.98 crores in 1986-87 to Rs.9.56 crores in 1987-88.

The group had in 1979 set for itself a target of Rs.100 crores turnover to be achieved in ten years, ie, by 1989. This target was, in fact, exceeded in the eighth year itself. It is, therefore, not at all correct to say: "So a group which had projected total sales of Rs.200 crores by 1989 has limped along to touch Rs.75 crores."

The group bid for the fertiliser project at Kakinada because it was confident of raising the funds required as promoter's contribution. It may be worth mentioning here that ventures promoted by the group in the past had received favourable investor response. The group is well on target for raising the funds required for the fertiliser project. The statement attributed to K.S. Raju — "raising cash has been a nightmare" — was never made by him.

With the long-awaited clearances and financial sanctions having been received, NFCL is now set to implement the project and make up at least a part of the lost time. NFCL's success is bound to inspire first-generation entrepreneurs to shoot high.

K.V.K. RAJU
Nagarjuna Fertilizers and Chemicals Ltd
Hyderabad

Our correspondent replies:
The statistics provided by K.V.K. Ra are interesting, but they do not tell entire story. Since 1984, Nagarjuna Steel's net profit has followed an erratic trend — Rs.47 lakhs (1984) Rs.59 lakhs (1985), Rs.2.28 crores (1986) and Rs.1.61 crores (1987). N dividend was paid in 1985. The dividend paid in 1986 was 16 per ce It was 12 per cent in 1987.

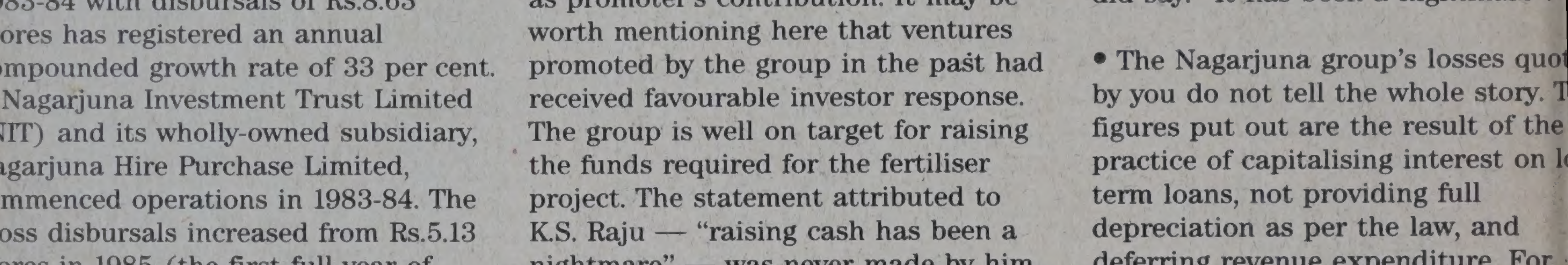
Nagarjuna Signode and Nagarjun Coated Tubes may be performing w today but both companies are very much in the red; Nagarjuna Signod has accumulated losses of Rs.2 cror and expects to pay a dividend only 1991. The accumulated losses of Nagarjuna Coated Tubes are Rs.8 cr and a dividend date is not in sight. are these companies performing wel as Raju suggests, or poorly? When K Raju was asked whether raising fun for the promoters contribution of Nagarjuna Fertilisers was difficult, h did say: "It has been a nightmare".

• The Nagarjuna group's losses quot by you do not tell the whole story. T figures put out are the result of the practice of capitalising interest on l term loans, not providing full depreciation as per the law, and deferring revenue expenditure. For instance, in the case of Nagarjuna Coated Tubes (NCT) the actual loss on 31 March 1988 was a staggering Rs.13.5 crores, as per the auditors' report, compared with Rs.10.4 crores given in the published accounts, wh you have quoted a figure of only Rs. crores.

Thus the diversification even into familiar business of steel has proved

LIKE FATHER, UNLIKE SON

by J


Daddy, I've decided to set up my own business!
I don't need your money!
I don't need your house!
I don't need your car!
... err...
...how about being a major shareholder in it?!
JORAN

e a failure.

With such a poor track record, it would be wishful to expect the fertiliser project to be completed within the time and cost parameters. Nor can a dividend be expected within two years of going into production.

S RAO
Hyderabad

• Listen, Manu Chhabria!

I refer to your corporate report on L&T (5 September) wherein you mention reports that Manu Chhabria, NRI corporate raider, has acquired a 1.5 per cent stake in L&T. Chhabria's golden touch seems to be confined to cash-rich companies like Shaw Wallace, Mather & Platt, Hindustan Dorr Oliver, Dunlop, etc. If these companies are reporting excellent results it is not on account of any entrepreneurial skills of Manu Chhabria but because they are professionally managed and function on sound financial principles.

To win a niche in the Indian corporate world he should take over loss-making companies like LML or companies like Delton Cables which have not paid their shareholders any dividend since their inception or companies like Modern Insulators which are yet to start viable commercial production. If he can manage these companies successfully, he deserves not only bouquets for his managerial competence but also thanks from the unfortunate small investors who have invested their hard-earned savings in these companies.

The Nihon Electronics scrip was quoted at Rs.44 last year; it has now touched rock bottom at Rs.14. So, may I request Manu Chhabria to concentrate on Nihon Electronics? Are you listening, Manu Chhabria?

R.G. SESHACHALAM
Bangalore

• The mega issue

This refers to the cover feature on the Reliance debenture issue (8 August). It is too early to say anything about the performance of Reliance Petrochemicals. The various plus points mentioned by the authors are those that the company's management has been talking about. We expect a more unbiased and studied view from *Business India*. Let the projects be implemented; we can then — and only then — evaluate the performance of the company.

There is no mention of the fact that investors can be taken for a ride because the upper limits for premium payable on conversion of parts A and B of the debenture certificate have not been specified. The Bombay Shareholders' Association has already cautioned investors about this.

Lastly a word about the most outlandish guesswork about the dividend the company may pay from the very first year! The interest earned on investments made out of surplus funds cannot be used for dividend but will have to be adjusted against interest paid (payable) on debentures (which will in all probability be capitalised).

NARENDRA M. APTE
Bombay

•Unjustified statement by Makers

This refers to your recent report on Iran and Iraq, "Good prospects for project exports" (Overseas, 5 Sept).

The statement by K.G. Shenoy, President, corporate division, of Makers Development Services is quite vague and unjustified. It is well known that construction companies do not show profits until the construction work is completed; until completion, the net project expenditure is treated as "work in progress". The statement that the company had to carry an additional interest burden of Rs.35 crores is a grossly exaggerated one. It is well known that the interest differential which is only 6 per cent on rupee loans and 1 per cent on US dollar loans, is to be borne by the company; on an outstanding figure of Rs.60 crores, this interest differential can in no way be Rs.35 crores.

It is also well known that a net loss may arise in a variety of ways. How can a company make a statement of this kind when:

The total amount receivable from the client has not been determined as the bills and claims have not yet been approved and certified.

Variation orders from the contractor still remain to be completed.

War claims have not been settled.

The loss has not yet been determined in the financial statements which show "work in progress" to the tune of Rs.196 crores.

The financial statements of 1986 show that Makers had received interest of Rs.5 crores on surplus funds. This would indicate that the surplus funds are approximately Rs.30 crores. The company has also got fixed assets directly used in the project which were worth approximately Rs.15 crores by way of plant and machineries, computer systems, caravans, etc.

It is need foolhardy to say that Makers Development Services burnt their fingers in Iraq and would never go back.

B.J. MISTRY
Intertrade and Developers Ltd.
London

• Insult to women

You claim to be a magazine for the corporate world. Does this corporate world consist only of men? If not, why is there a section entitled "Businessmen in the News". Is it because there are no businesswomen worth reporting about or is your magazine only for men?

As it happens, you have a write-up on Gnanamgari Sakunthala in your 22 August issue under the title "Businessmen in the News", thereby insulting not only Sakunthala, but all of us businesswomen.

I know the majority of your readers are men, but you need not insult or alienate your women readers by such a blatant display of sexism.

CHANDA NARANG
New Delhi

• First things first

This is with reference to your Focus item "Pawar's Perestroika" (5 September) in which mention was made of implementing the West Island Freeway Project to ease Bombay's traffic problem.

While it may be implemented in time to come, will it not be appropriate to first look at the exit points of major stations of suburban trains and redesign them with overbridges and subways? This will considerably smooth the flow of vehicular and pedestrian traffic.

DINESH MEHTA
Bombay

• Correction

In our last issue we inadvertently misspelt the name of the new in-charge of Peico India as J. Bergrett. It should read J. Bergvelt. The error is regretted

A pragmatic approach

The recent railway tragedy at the Perumon bridge near Quilon in Kerala drew the sympathy of not only the people of the state, but also the rest of the country. True to the best of style, the state government decided to give cash awards of Rs.1,000 each to the individuals who had helped during the rescue operations. For this, the state government officials prepared a list of 450 persons. However, they were compelled to revise the list by adding another 165 names due to political pressure. Subsequently, the awards were given in secrecy. Opposition parties also not to be left behind, submitted another list of 1,071 more names. As is to be expected, many of the people recommended for the award, by both the ruling party and the opposition are not even remotely connected with the rescue operations. Such are our political parties, who are supposedly wedded to public cause!

Meanwhile, the people at Perumon, who had actually done the job, have told government officials that they would rather have a footpath parallel to the rail bridge than the cash awards.

M. HARIDASAN, *Ahmedabad*

The other, please!

Nothing, may make Indian Airlines change its ways. Service, it seems, is anathema to the country's domestic airline. Recently, Field Marshal K.M. Cariappa had a taste of this — or rather of the bitter beverage that is served on board. A sip, it is reported, left him spluttering in despair at the hostess. "My dear, if it is coffee, get me some tea. And if it is tea, get me some coffee!"

MENA BHARANIA, *Porbunder*

Selling to ET?

Clavcosmos, the space organisation which is responsible for Soviet space launches, has decided to allow foreign and Soviet firms to place advertisement messages on rockets and space vessels "at reasonable prices". The names of two non-Soviet metal companies, Vesta Alpine from Austria and Danielli from Italy, appeared on the proton rocket which sent an interplanetary searcher, Probos, to Mars. So what does that make the ETs out there? An unexplored target audience?

V. THIAGARAJAN, *Bangalore*

Lawful transport

The Dharwar Bar Association volunteers are setting an example in social work. Around six of them, lawyers all, go to the station every morning to meet the Bangalore-Miraj-Kittur Express and help passengers who have difficulty in getting autorikshaws. These lawyers come on their two-wheelers but a car is also kept handy, to transport luggage. This free service was triggered off by the frequent refusal of autorikshaw drivers to ply on certain routes or their demands for exorbitant fares. The campaign was launched to teach rude auto drivers a lesson.

There had been many complaints and, after a meeting between the Road Transport Office, the police chief and the commissioner, auto fares were revised and the installation of meters was made compulsory. Initially, the auto drivers' union accepted the new rates and other norms but later reneged on the agreement and went on strike.

In response to an appeal for public co-operation, the Dharwar Bar offered free transport to hapless passengers. The campaign, originally slated for a week, met with resistance on the first day when a group of the lawyers went to the station. Two auto drivers — said to be leaders — abused the lawyers and manhandled one of them. The lawyers stood firm, made a written complaint to the police and the drivers were arrested.

The free transport service was extended beyond the original one week and has attracted much gratitude and support from the public.

ARUN BHATIA, *Bangalore*

Suggestions and personal attacks

In the Karnataka
government enterprise wh
I work, the secretary of th
union was promoted to
purchase officer (PO). He
in charge of stores and
purchases.

As a sales officer, I had
frequent dealings with the
PO. In time, I found that
there was considerable de
in dispatching materials d
to shortage of packing
materials. So I wrote to th
general manager and
suggested an inventory
control system that would
fix stock levels of packing
materials. The GM passed
the note on to the PO for
necessary action.

The PO, however, took t
matter to heart and asked
me, "Do you think we don'
know anything?" I said tha
had only made a suggestio
and that it was up to him
consider or ignore it. His
reply was, "It is a remark c
me. What about my positio
If I had the money, I woulc
purchase and store materia
lasting for 10 years." He als
warned me not to write su
notes in future.

If a union leader, whose
leadership is based on
consensus and the wishes
other people, can't accept
suggestion without
considering it a personal
attack, I wonder who can.

KURUBAR RAMACHANDRA, *Bangalo*

Business India invites
readers to send origina
unpublished
contributions to this
page. The snippets can
be humorous, insightfu
outrageous or simply,
informative. Each
snippet must carry this
coupon.

Rs.50 paid for each published contribution

Filing fit

Our materials manager is known for his wit and tact in putting down his men when they seek a favour. A filing clerk once approached him with a request for leave to attend his cousin's marriage. The manager began narrating the story of Tanaji, whose son was getting married during a crucial battle. The manager said, "You know, what Tanaji said when called upon by Shivaji to recapture a Maratha fort? Tanaji said, 'The wedding of my son can wait; fighting for my country comes first'."

The clerk listened in silence and then replied, "In that case, sir, give me fighting work, not filing."

L.M. DIXIT, *Bombay*

Smoking is deleterious to your career

If you are a non-smoker, your chances of getting certain jobs in New Zealand are better than a smoker's. Job ads in newspapers in that country often state categorically that "applications from non-smokers only will be entertained", or "the group has a preference for a non-smoker", or "we provide you a smoke-free environment".

With things being carried this far in other countries, the Indian government too has initiated programmes to curb tobacco habits. The Maharashtra government, in a path-breaking ruling, has banned cigarette smoking in all government establishments. Other states, like West Bengal, are expected to follow suit soon. As a part of the programme, the government will, among other steps, ban advertisements of cigarettes, *bidis*, tobacco-based *paan masala*, etc.

In fact, there is no need to ban advertisements of cigarettes, etc. The existing statutory warning on cigarette packets, advertisements, hoardings — "Cigarette Smoking Is Injurious To Health" — is more than enough. What is actually needed is a grassroots handling of the problem, with emphasis on dissuading young people from smoking.

SUTAPA CHATTERJEE, *New Delhi*, and PRAVIR SHAH, *Calcutta*

Bullock carts — the old reliable

Sub-contractors who supply fabricated items to the seamless steel tube plant of BHEL Trichy unit, were having a lot of trouble moving steel pipes in and out of the factory. They were at the mercy of the company's fork lift carrier operators and found it very difficult to get things done by them. Finally, they made a representation to the factory administration to bring their own bullock carts into the factory premises for loading and unloading the pipes!

It seems we can't write off the bullock carts even as we enter the twentyfirst century.

V. THIAGARAJAN, *Bangalore*

Road fatality on the rise in India

Perhaps the most recent addition to the long list of dubious distinctions registered by India is the largest number of road accidents and casualties in the world — around 200,000 accidents occurring on a 1.6 million km network of roads resulting in 40,000 deaths and injuries to more than 170,000 people a year. According to N.S. Srinivasan, executive director of the National Transportation Planning and Research Centre (NATPAC), the number of road accidents in India is three times higher than that prevailing in developed countries. The number of accidents per 1,000 vehicle population is as high as 35 in India, while the figure ranges from four to ten in developed countries. For instance, in Japan, the number of fatalities have been reduced to 12,919 in 1983 from a high of 21,535 in 1970. This is notwithstanding the increase in vehicle population by 133 per cent during the corresponding period. The number of vehicles in India have increased from 186,000 in the early seventies to about 450,000 now. Subsequently, road crash fatalities have increased by 300 per cent — from around 10,000 in 1970 to over 40,000 today.

At the current rate of road accidents and consequent fatalities, it is calculated that road mishaps would claim one life every minute in the country by the turn of the century. No wonder, along with industrial fatalities, road accidents have become the third largest killer in the country, after heart diseases and cancer. Accidents also cause an estimated loss of Rs.350 crores every year to the country's economy.

According to Srinivasan, about 75 per cent of the accidents occur on urban roads which account for only 6 per cent of the total road network of the country. What's more, ten big cities account for about 40 per cent of the road accidents.

Major accidents in big cities invariably involve pedestrians. For instance, in Bangalore, indisciplined pedestrians were responsible for around 200 accidents last year. A study of the high accident frequency locations in New Delhi has revealed that at these locations 88 per cent of the fatal and severe injury occurred due to driving error. New Delhi, in fact, has the highest rate of road accidents in the country. Other major causes of road accidents are: poorly maintained roads, defective vehicles and unpleasant environment.

In India, not only is the accident rate high, but also the resulting damage to people, especially fatalities, when compared with the figures in other countries. India averages 5.5 deaths per 1,000 vehicles as against 0.36 in UK, 0.432 in the US and 0.40 in France. The congestion of population, the concentration of industries and workspots, increasing vehicular density and erratic pedestrian rules conspire to make India a highly accident prone country.

RADHAKRISHNA RAO, *Bangalore*

IDBI Capital Bonds A new instrument for exemption from Capital Gains Tax.

IDBI offers for sale a new series of 3 year bonds. Amounts invested in the bonds are eligible for claiming exemption from capital gains tax under section 54 E of the Income Tax Act, 1961.

Other benefits available for investments in the Bonds are **non-deduction of tax at source** on interest paid on the bonds; **exemption from Wealth Tax** (under section 5(1) xvie of the Wealth Tax Act, 1957) and **Income Tax benefit under Section 80L.**

Individuals, HUFs, Firms and Companies are eligible to invest in the bonds. The bonds can be applied for at any time and are available throughout the year. Applications have to be for a minimum amount of Rs. 1000 and in multiples thereof. (Outstation cheques are also accepted and cost of collection of the cheques will be borne by IDBI.)

The bonds carry interest at **9% p.a. payable half yearly.** Interest coupons for the entire 3 year period of investment will be given at the time of investment itself.

At the investor's option, **interest for the full period of 3 years could be paid in advance on discounted basis.** Under this option, the investor will receive for every Rs. 1000 invested, an amount of Rs. 235 by way of interest payment soon after investment.

Sobhagya-B 87

For further details contact the nearest IDBI office or write to Manager.
INDUSTRIAL DEVELOPMENT BANK OF INDIA
Jolly Maker Chambers No. 2 225, Vinay K. Shah Marg, Nariman Point, Bombay 400 021.

Phadnis quits Nirlon board

The rehabilitation of the sick Nirlon Synthetic Fibres & Chemicals Ltd has suffered a fresh setback, with the resignation last fortnight of C.B. Phadnis, the company's finance director who represented the lead bankers, the State Bank of India. Phadnis, who took charge in May this year and tightened up the finance function to the discomfort of many in the company, is believed to have developed serious differences with Nirlon's chairman, M.R.B. Punja.

Phadnis' withdrawal from Nirlon may impact the scope of the latter's relationship with the SBI, say sources. All eyes, however, are on the crucial meeting of the Board for Financial and Industrial Reconstruction scheduled for 3 October.

Canara Bank to manage NRI bank

Canara Bank is planning to manage the services of an NRI bank both in India and the rest of the world. Though the Reserve Bank has been chary about allowing branches of foreign banks to operate in India, they are taking a more liberal approach to this particular bank, because of the possibility of using it to garner non-resident Indian deposits.

New products from Xerox

The undisputed leader of the copiers business, Modi Xerox Ltd, is all set to launch three new products. These are a low priced personal copier, a fax machine and a blueprint copier. The company which is managed by B.K. Modi is expected to announce its diversification plans in a couple of weeks.

After a troublesome start in the first year of operations, the company has never had to look back. The last two years have seen a quantum jump in sales and market share. Last year ended April 1988, the company posted sales of Rs.78.5 crores and a net profit of Rs.5.1 crores. This year, sales are expected to be close to Rs.100 crores. All accumulated losses will also be wiped out and a maiden dividend is very likely. Already, out of every three copiers sold in the country, one is a Modi Xerox machine.

Modi: all set to launch new products

Given such a scenario, the launching of new products with a large demand potential means an even more exciting future for the companay. And for the country's fledgling office automation industry too.

Dark house

Major changes are in the offing in the sports shoes industry. While Bata and Carona take their time acting on their long planned tie-up with the German giants Addidas and Puma, it now appears that Lotto, the reputed Italian manufacturer, might sneak into the country much before them, in fact in the next few months.

Bhor Industries, one of the largest synthetic leather manufacturers in the country — the kind used in making sport shoes — will make Lotto shoes in India. And close on the heels of the Italians, market sources say, are the Americans. Reebok is said to be looking at the Indian market closely although it is not yet known as to who their local partner will be. Among names being mentioned is that of Lupin Laboratories, which recently set up a fully owned synthetic leather manufacturing subsidiary in Goa.

After the recent mega star rock concert in Delhi, Reebok, which underwrote the expenditure for the worldwide tour, earned quite a lot of goodwill in India.

Sale and lease DAP

The public sector Mangalore Chemicals and Fertilisers has entered into a unique Rs.25 crore sale and lease back arrangement on its ageing di-ammonium phosphate (DAP) plant. Due to technical problems the DAP plant has consistently functioned at barely 40 per cent capacity. So MCF decided to acquire a new DAP plant from the same suppliers, Toyo Engineering of Japan, on the condition that the existing plant would be revamped.

Last year the company faced a cash crunch and approached several leasing companies for a sale and lease back arrangement on its old DAP plant, valued at Rs.25 crores. The package which was recently cleared was put together by the Bangalore based International Leasing (and participating in the lease consortium are Canbank Financial Services and several private sector leasing companies).

Under the terms MCF would receive Rs.25 crores and in turn pay the leasing companies a rental of Rs.26 per Rs.1000 per month. The leasing consortium has also secured bank guarantees of Rs.20 crores for realisation of their rentals. This is not the first time that a sale and lease back arrangement has taken place in the country, but it is definitely one of the largest.

Unworthy victims

Public sector banks are in a sorry plight. Once again they are victims of a decision thrust on them. Recently, a Reserve Bank committee consisting of representatives from RBI, CMC, the Department of Electronics and State Bank of India identified two manufacturers who will supply computer mainframes for installation in each of the head offices of 20 public sector banks.

What is galling, say bankers, is that the decision, which will mean an investment of Rs.2 crores plus per bank, was taken without the banks themselves being consulted.

Curiously, both RBI and SBI have installed IBM machines and imported software, but the committee has recommended that the public sector banks must buy locally — ie, either ECIL or ICIM. Being in the dark about the criteria, bankers wonder whether either of the machines can take care of their specific needs, and whether either CDC or ICL, the collaborators for ECIL and ICIM respectively, have a proven track record in developing banking software.

Taking advantage of the bankers' confusion, CMC (ironically a member of the committee) is reportedly independently bidding to import CDC machines and supply them to banks with 'value added' software.

Rapid environmental clearance

The union government has decided to clear projects simultaneously from the point of view of the environment and forestry, by using a single window concept. A press release issued by the ministry of environment and forests said that project clearance would be given within six weeks of the receipt of a proposal if all details are included. Hereafter, project proposals will be rejected if project authorities do not provide missing information about the environment within three months and regarding forest within six weeks of a request of the ministry. However, cases rejected because of inadequate information can be reopened if a suitable explanation is offered.

Additional CCS for textiles

Union government has decided to grant additional cash compensatory support (CCS) of 5 per cent on exports to quota countries on non-quota textile items and garments, including handloom. It has also decided to give 8 per cent CCS on exports of blended yarn for both quota and non-quota countries.

These rates will be applicable to orders or contracts received after 22 September 1988 and the rates will remain in force till 31 December 1988.

Indo-French mining protocol

India and France have signed a protocol for co-operation in the field of mineral exploration and development. It was concluded at the end of the first meeting of the Indo-French working group on mineral exploration and development in New Delhi recently. The protocol was signed by P.K. Lahiri, additional secretary, department of mines, on behalf of the Indian government while Andre Ribeiere, additional secretary, ministry of industry, signed for the French government.

Progress has been made so far in planning projects for the exploration and development of tin and tungsten in India. If the projects are successfully implemented they could succeed in augmentation of off scarce resources in the country.

Credit relief to Punjab

Reserve Bank of India (RBI) has announced a series of measures amounting to a relaxation of credit policies relating to industries in the state of Punjab. RBI has authorised bank officials to sanction additional limits to the extent of 50 per cent of the required working capital, upto a ceiling of Rs.20 lakhs. The earlier ceiling was Rs.10 lakhs.

The RBI has also specified that for limits in excess of Rs.20 lakhs, clearance should be obtained from higher authorities within a period of two weeks. In addition, the RBI has also reduced the margin on advances to mills and processing units against purchases of wheat from the existing 45 per cent to 30 per cent.

Envirotech '88 held in Bombay

The third exhibition and international conference on industrial pollution control and safety, Envirotech '88, sponsored by the Central Pollution Control Board and organised by the Chemtech Foundation was held at the Nehru Centre in Bombay between 21 and 26 September 1988.

At the exhibition, there were 46 stalls and a pavillion sponsored by the Maharashtra Small Scale Industries Development Corporation, which contained 20 individual exhibitors. A wide range of pollution control equipment was displayed. Among the major exhibitors were Empire Instrumentation, which is an agent for a range of stack, ambient air and gas analysers, and displayed area quality monitors and particle size analysers; Indian Oxygen Ltd, which displayed photographs of its waste water treatment process; Flakt India Ltd, manufacturers of pollution control equipment like electrostratic precipitating fans and blowers; and L.G. Balakrishnan and Bros, which displayed oxygen analysers and capacity monitors.

Besides the exhibition, workshops and seminars were held on a variety of subjects relating to pollution control. The major symposium were on air and water pollution and on disaster prevention and crisis management.

S.S. Morakhia resigns from BSE board

Shreepal S. Morakhia is understood to have resigned from the governing board of the Bombay Stock Exchange (BSE) for reasons he has described as personal. It is also understood that he was critical of the sudden shifting of trading in Reliance shares to spot delivery basis. It may be recalled that Morakhia was a candidate sponsored by a group of operators at the last annual elections.

Seeds import policy eased

In an effort to boost farm yield and ensure a higher income for the grower, the government has announced a "new seed policy", liberalising procedures for import of seeds and manufacturing equipment.

The new seed policy, which comes into effect from 1 October 1988, drastically reduces the import duty on seeds for sowing to 15 per cent, from the existing 90 to 95 per cent. The policy will prevent companies from importing seeds to make a "fast buck" and thus leaving the farmer out in the cold. Instead, now there will be a commitment on the part of the company to ensure steady seeds supply to farmers.

The new seeds policy takes further the strategy form
by the prime minister,
ganising cropping pat
suitable for each agro cli
zone, taking into consider
soil type, climate and
resources.

Panel to review category I drugs

An eight member comm
has been constituted b
union health and family w
ministry to review the li
drugs which come under
gory I of the Drugs Price Co
Order (DPCO) 1987. H.H. S
qui, who is an associate
fessor of pharmacology at
All India Institute of Me
Sciences (AIIMS) and h
the committee, said they wi
view the list of drugs incl
under category I of DPCO
and examine any other re
sentations and suggestions
inclusion of essential drugs
der this category. The com
tee will submit its report in
month's time.

More spinning machinery on OGL

In a move to bring about m
ernisation, the government
permitted textile mills to
port three more machin
items at a concessional dut
25 per cent. These imports
be subject to an export obl
tion.

The export obligation wil
equivalent to 75 per cent of
total production on
machinery items for 5 years.
the other hand, the obligat
can be fulfilled by exporting
times the value of machinery
five years.

Already, 118 items
machinery are allowed to be
ported by garment exporter
a concessional duty, which
not subject to an export obl
tion.

Exchange risk cove widened

The Export Credit Guara

orporation of India (ECGC), has now expanded the scheme of exchange fluctuation risk, ated in August 1980, to cover risks in respect of export receivables over a period not exceeding 12 months. It will now include two more types of transactions; payment for import of raw materials or components, for use in manufacture of goods for export, the import being effected on deferred terms of payment or on cash terms spread over a period longer than 12 months; and advance payment received from a foreign party, on condition that it should be repaid over a period longer than 12 months by way of export of goods.

The scheme, it may be noted, provided cover within certain limits. The first loss or gain upto 5 per cent shall be to the account of the Indian exporter. Loss or gain in excess of five per cent but not exceeding 35 per cent will be covered by the ECGC, and thereafter any loss or gain shall go against the account of the exporter. Besides, exchange fluctuation risk cover will be available if the payment for import or the advance payment for export was designated in any of the seven currencies: the US dollar, pound sterling, deutschmark, French franc, Swiss franc, yen and the Australian dollar.

With this, certain export linked import transactions and advance payments received from foreign buyers could now be covered with the ECGC, against exchange fluctuation risk.

Indian electronics fair at Hannover

The Hannover Trade Fair Corporation and the Trade Fair Authority of India (TFAI), who are jointly organising an International CeBIT Forum-Business with India, at Hannover in FRG between 8 and 15 March 1989, say that the response from Indian companies has been good. The CeBIT fair is the world's largest for the office automation, information and telecommunications technology business. And the international CeBIT Forum with India as a partner), which will be launched for the first time, has firm participation from 50 Indian companies.

They include private sector hardware and software companies, C-Dot, and the department of electronics and telecommunications. In all, over 2,900 companies are expected to display their products at the fair and attract a record 500,000 visitors. Thirty six per cent of these exhibitors will be from outside West Germany.

Salt for priority sector

The government has decided to include the salt industry under the classification of priority sector for financial assistance. This is in response to a long standing demand from the industry. It is expected to provide a boost to an industry, which employs thousands of people in rural areas.

HPCL poised for major expansion

Hindustan Petroleum Corporation Ltd (HPCL) is co-promoting a new joint venture company, Mangalore Refinery and Petrochemicals Ltd (MRPL), with 26 per cent equity participation, with Indian Rayon and Industries (also 26 per cent equity participation). The company, incorporated in March 1988, is expected to be completed by early 1989. Apart from refining 3 million tonnes of indigenous/imported crude oil, the proposed MRPL envisages a naphtha cracker to produce base blocks for petrochemicals.

HPCL has Rs.506 crores worth of projects under implementation or consideration which includes a Rs.227 crore project for additional crude oil and product tankage.

In the Eight Plan, the projects which are to be reviewed by the government include a grass roots refinery at Hazira with 6 million tonnes per annum (MTPA) capacity expandable to 12 MTPA at an estimated cost of Rs.9,500 crores. The other projects are estimated at Rs.9,400 crores.

For the year 1987-88, HPCL has registerd an impressive performance and earned a net profit of Rs.101.57 crores (110 per cent increase over the previous year). In January 1988, HPCL was presented the prestigious "Award for Excellence" in performance for the year 1985-86 in the oil sector. It has also earned the distinction of making an entry into the "Fortune International 500" list of the largest non-US industrial corporations in the world, ranked at 291.

Canfina inaugurates issue house

In its six years of involvement with the capital markets, Canbank Financial Services Ltd (Canfina) has acquainted itself with the numerous problems faced by issuers as well as investors at the post-issue stage. This acquaintance brought about the realisation that a number of critical areas in the post-issue management do not get the priority of attention they deserve. This realisation prompted Canfina to set up a separate independent Issue House Group as soon as it was incorporated as a separate company in mid-1987.

The group, located at Bombay and headed by K.C. Poulose, senior vice-president, went about the task of setting up the "Issue House and In-house Data Processing Centre" in two stages. In the first stage, the group handled the registrars to the issue services upto the stage of allotment and refund, utilising the computer facilities of certain established issue houses. This provided hands-on experience, apart from co-ordination of critical areas in post-issue management.

At the second stage, by inducting experts headed by N. Satish, chief consultant, an experienced engineer in computers, in-house data processing capability was built up. This group will function from Bombay for the present.

The city office, from where the Issue House Group has been functioning, will continue to be the front office within the reach of companies and the stock exchange. The office, located at Mahim in Bombay, and housing the computer systems, will provide the necessary back-up.

New DBMS to be released

INGRES, a new relations database management system (DBMS), will soon be entering the Indian market. A product of Relational Technology Inc (RTI), a US company working primarily with databases, it will be marketed and supported by MASTEK, a software house based in Bombay.

Alan Jervis, managing director of RTI for the Asia-Pacific region, was in India recently to announce the release of INGRES's new high throughput On-Line-Transaction Processing version. This version can be used in application are as such as reservation systems, banking, and trading, where the number of transactions per second are high.

In India, INGRES will be competing with ORACLE, another relations DBMS. ORACLE is marketed by Tata Consultancy Services which recently announced its own high throughput product, the ORACLE TPS.

According to Jervis, INGRES has been proved technologically superior to ORACLE. MASTEK has already secured a order from Reliance and are expecting a couple of big contracts.

INGRES runs on a wide range of machines, including IBM, UNIX-based and VAX machines. Its compatibility and networking features makes it easier to work with even geographically distributed databases and dissimilar systems. It offers sophisiticated integrated tools for application development and decision support tools for the end user

Indo-German software contract signed

Nixdorf Computer AG of West Germany have placed their first software development order for the banking industry in the Asian market worth US $ 200,000 with Kale Consultants Pvt Ltd (KCPL), of India. An integrated branch level banking package will be developed by KCPL, covering all vital functions of both front and back offices. KCPL will develop the package on the UNIX-based Targon family of Nixdorf machines.

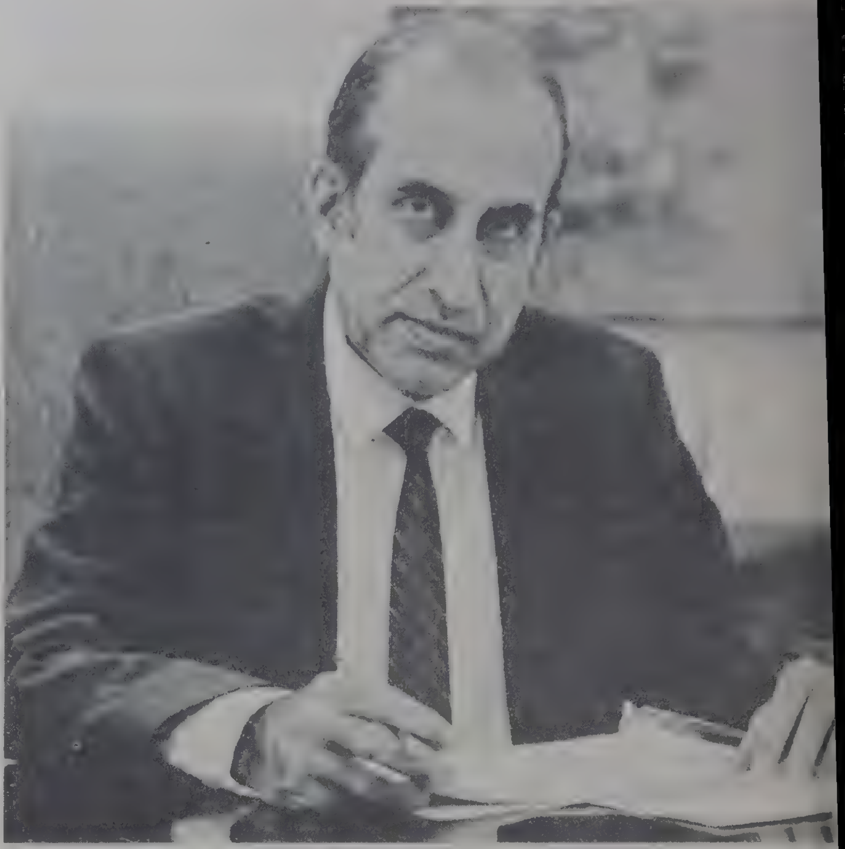
According to B. Kannapee, Nixdorf vice-president, overseas region, this order is a follow-up of the recently announced tie-up for computer software between Nixdorf and KCPL. The current US $ 200,000 project order is expected to be delivered in phases as per the priorities assigned, with the first phase due in 8 to 10 months' time.

Narendra Kale of KCPL disclosed that the two companies are planning to use the latter's hospitals' system for their Asian markets which, according to Nixdorf, have a great potential. Technical discussions with Nixdorf in Germany and Singapore are under way for the planned development of the package. KCPL is already the market leader in healthcare software in the country with installations at Breach Candy Hospital, Cumballa Hill Hospital, Hurkisondas Nurrotamdas Hospital and Kothari Hospital, all at Bombay.

Venture fund backs Jay Bharat Maruti

India Investment Fund Ltd, the NRI venture capital fund advised by Grindlays Bank, has announced its intention to participate in the NRI public issue of Jay Bharat Maruti Ltd (JBML). JMBL is a joint venture project being promoted by Maruti Udyog at Gurgaon for the manufacture of sheet metal components, assemblies and sub-assemblies. The project has been set up at a cost of Rs.14.09 crores and has commenced commercial production.

The Fund has already invested in the equity of Samtel Color, Maharashtra Weldaids and India Glycols. Several other potential investments are in the pipeline.



SBI gets an MD

After nine months of speculation, V. Atal, has finally been appointed managing director at the State Bank of India. Having joined the Imperial Bank in 1952, Atal has held many important positions in SBI, including being incharge of the bank's Frankfurt office. After his return from overseas, Atal been, till now, the deputy m aging director in charge of p sonnel and systems.

Canara Bank, had also b without a chairman and man ing director ever since B. R nakar's term ended in June t year. N.D. Prabhu, executive rector of the bank, who w holding charge as CMD, h also been officially appointe

Meanwhile, at the time going to press, it is learnt th B. Ratnakar has been appoint part time joint chairman of S and MMTC, although an offic announcement is awaited.

State Bank's SBINE inaugurated

Eduardo Faleiro, minister state for finance, inaugurat last month the Integrated Te communication Netwo (SBINET) of the State Bank India (SBI) for voice, FAX a text transmission. On comm sioning the network, Falei spoke to Sharad Pawar, ch minister of Maharashtra Bombay and Pratap Sinh Ra chief minister of Goa, at Pan and with bank officials locat in other centres.

Addressing a press conf ence later during the day, D hosh, chairman of SBI, indicated that by utilising the capabilities of this network, the bank would be able to implement a apid remittance facility for its customers located in 64 cities, for transfer of funds within a day. The network would also facilitate faster realisation of outstation cheques and exchange of other financial messages such as letters of credit. It would also help improve the bank's internal operations in the areas of funds management and in exchange of administrative messages. Collection of management information would also be speeded up.

SBINET will enable the bank to participate in the SWIFT (global inter-bank network) operations far more effectively. Interface with the proposed BANKNET (RBI network) will also be greatly facilitated by the establishment of this network.

While the network will be initially based on voice grade lines leased from the department of telecommunications (DoT), arrangments are already in hand to avail of satellite communications as soon as they become available and to link up into the public switched data network the moment it commences operations. It is also planned to have international gateways for communication with the bank's branches overseas and also with correspondent banks.

Award for Mudra

Mudra Communications' televison commercial for Vimal Fabrics has won an award at the prestigious 1988 PATERS. The PATERS are world media awards held this year in conjunction with the State of Queensland's Bicentennial Celebrations.

This year, for the seventh PATERS, a total of 1,660 entries were submitted from radio, television, film networks and advertising agencies from over 40 countries. They were judged by a panel of judges from 14 countries. At the Awards ceremony on September 10, 1988 Mudra Communications was represented by their international associate, DDB Needham Worldwide.

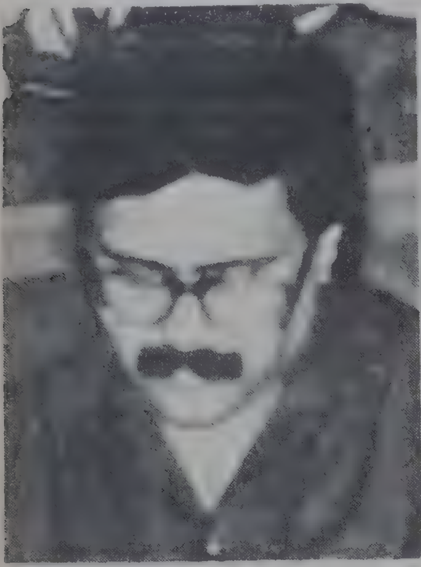
DIARY

DATES	SUBJECT	ORGANISER	VENUE
3-6 Oct	**Quantitative Risk Management**	National Productivity Council, Novelty Chambers, Grant Road, Bombay 400 007 Tel: 371322/23	Bombay
3-8 Oct	**Leadership and Decision Making**	Tata Management Training Centre Pune 411 001 Tel: 665472/665381/660141	Tata Management Training Centre, Pune
3-12 Oct	**Programme on Managing Creativity in Organisation**	Administrative Staff College of India, Bella Vista, Hyderabad 500 049 Tel: 36952/36956	Bella Vista, Hyderabad
5-8 Oct	**Power India '88**	Industrial and Trade Fairs International Ltd, Radcliff House, Blenheim Court, Solihull West, Midlands B91 2 BG, U.K. Tel: 01-9406065	Pragati Maidan, New Delhi
6-8 Oct	**Company-wide Quality Control — A programme for Management Development**	Quality Management Institute, C/o. Consys Electronics, 45, Vikaspuri, P.O. Vengalrao Nagar, Hyderabad 500 890 Tel: 26245	Hotel Krishna Oberoi, Hyderabad
9-10 Oct	**Technology Transfer and Industrial Licensing**	Creative Communication and Management Centre, 2nd Floor, Raja Bahadur Mansion, 8 Ambalal Doshi Marg, Bombay 400 023 Tel: 273006	Hotel Executive Ashok, Pune
12-14 Oct	**Microsoft Windows Software Development**	Tata Unisys Ltd, Manish Commercial Centre, 216-A, Dr. Annie Besant Road, Worli, Bombay 400 025 Tel: 4933560	Hyatt Regency, New Delhi
13-15 Oct	**Artificial Intelligence and Expert Systems in Engineering and Management**	Promag Consultancy Services, 967, 1st Floor, E&F Block, Kuvempunagar, Mysore 570 023 Tel: 32683	Hotel Taj Residency, Bangalore
25-29 Oct	**Second National Convention on Quality Circles**	Quality Circle Forum of India, C/o. Modi Rubber Ltd, 6th Floor, Hemkunt Tower, 98, Nehru Place, New Delhi 110 019	Siri Fort Auditorium and Taj Palace Hotel, New Delhi
30-31 Oct	**Managing the Nineties**	Symbiosis Institute of Business Management, Senapati Bapat Marg, Pune 411 004	Sea Rock Sheraton, Bombay

SANJIV NARAYAN

"The production target of Rs.2,000 crores for electronic components will be reached by the end of the Seventh Plan period," asserts Sanjiv Narayan, president, Electronic Component Industries Association (ELCINA).

"However, a strong component base can only be created with economies of scale in production," he observes. There is an urgent need to allow existing companies to expand production facilities by removing stipulations regarding the location of new capacity. "Component manufacturing activity should also be delinked from demand arising only from the indigenous equipment industry. Incentives should be provided to make Indian components competitive in the world market," he adds.



ELCINA also wants changes in the export-import policy. "Under the existing system, the actual user condition has been dispensed with," complains Narayan. The resultant large-scale import of components under replenishment licences will damage the indigenous industry. "Such imports will amount to Rs.150 crores per year," he maintains. "Export realisation will also be affected due to the fall in premium on replenishment licences from 150 per cent to 20 per cent," he adds.

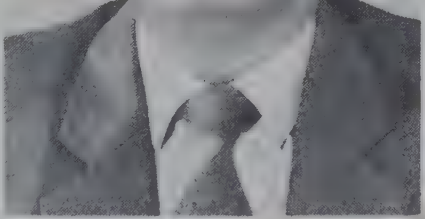
ELCINA is keen on encouraging the design of electronic equipment indigenously. "We anticipate an investment of Rs.10,000 crores in this sector over the next 12 years," says Narayan.

RAJESH VACHHER

In the single largest order of its kind, the Mining and Allied Machinery Corporation of India (MAMC) has signed an agreement with the Soviet Union to export conveyors valued at Rs.11 crores. "Once we show that we can execute it successfully, we hope that the order will be repeated annually," says Rajesh Vachher, director (marketing) of the MAMC.

Though exports to Russia are a routine affair for MAMC and other government organisations Vachher points out that no similar organisation has signed such a large order before. The order is for 15 sets of conveyors, each one kilometre long. The conveyors will be used to transport coal in underground mines; they are required to be manufactured under stringent specifications for Siberian conditions.

With this, MAMC's export orders are expected to jump to Rs.34 crores. Currently its total orders are valued at Rs.200 crores. The organisation's turnover target for 1988-89 is Rs.100 crores, as against Rs.76 crores achieved last year.



MAMC has just completed 25 years of manufacturing and enjoys the distinction of being the largest exporter of engineering goods in the eastern region. For the fifth consecutive time, the company bagged the EEPC trophy for the largest exporter.

J.M. RAJAN PILLAI

"Nabisco Brands views India as one of its key opportunities," says J.M. Rajan Pillai, area president, Africa/Asia/ Pacific of International Nabisco Brands Inc, and chairman and chief executive officer of Nabisco Commodities Ltd, both of London.

As a dynamic multinational, the US-based RJR Nabisco (turnover: US $ 17 billion) views India as a great potential market. According to Pillai, Nabisco Brands is pleased with the progress it has made in India and is aiming for more. "For Nabisco Brands, participating in the growth of the Indian economy is a commitment," says Pillai. As an example, he points to how Britannia Industries, already the market leader in branded biscuits and cakes, is rapidly expanding into snacks, confectionery products and protein foods. And why not, when the Indian middle class market is over 80 million, more than the entire population of most European nations. Pillai stresses that by letting more Indian consumer goods companies collaborate with foreign firms and allowing import of foreign technologies, India is seeing a drop in prices and a general strengthening of the consumer markets.

Pillai believes that Indi
tential can carry it int
ranks of the world's great
trial powers. "As a bus
man, I openly applaud the
our government has taker
ticularly in improving th
mate for foreign investm
adds Pillai. He thinks that
is marching more or less in
with the rest of the world

V.K. JAIN

Gujarat Fluorochemical
company promoted by In
trial Oxygen Company
(INOX) and Gujarat Indus
Investment Corporation, wi
entering the capital marke
12 October with a public i
of 3.92 million equity share
Rs.10 each for cash at par
this 1.57 million equity sh
are reserved for preferentia
lotment to NRIs. and 40,
shares for employees and w
ing directors.

According to Vivek Ku
Jain, managing director,
company will manufact
5,000 tpa of chlorofluorocar
refrigerant gases and 2,200
of anhydrous hydrofluoric ac

The company has ente
into a collaboration w
Stearns Catalytic Corporat
of USA for incorporating
latest technology. Proc
know-how to be used for
manufacture of refriger
gases will be developed by Pe
walt Corporation, USA. The
cess know-how to manufact
anhydrous hydrofluoric a
will be developed by Stau
Chemical Company, USA.

Says Jain, "Taking into
count the fast pace of ind
trialisation and application
several key growth areas the
mand for refrigerant gase
expected to maintain a h
growth rate."

INOX's experience in
field of manufacture and dis
bution of industrial gases
greatly benefit GFL. Another
vantage the new company ha
its proximity to major raw
terial suppliers.

FRANCIS LORENTZ

While giant US computer makers tend to dominate collaboration agreements in India, the French giant Bull is making a quiet entry. Francis Lorentz, president of Bull, was in New Delhi last week to tie-up with PSI Computers to set up an R&D operation in Bangalore.

Though the R & D centre begins with a modest Rs.1-crore funding, PSI expects that in three years over 500 specialists will undertake state of the art research in mainframe computing at the centre. Over Rs.45 crores of research projects are likely to be subcontracted to PSI in the next 5 years. The logic, says Lorentz, "is to transfer to India the systems that Bull uses and to utilise Indian scientists to get further ahead." Given that Bull spends over Rs.550 crores annually on R&D, for PSI the opportunities are immense.

Besides research, the Bull link-up will result in PSI having a new range of computers that Lorentz hopes will "transform the shape of the Indian mainframe market".

BO SVENTE SANDQVIST

ESAB AB, the Swedish world leader of welding and cutting equipment, has promoted a new company, ESAB India Ltd, through its subsidiary ESAB Holdings UK. Also, a few years ago ESAB AB had bought over the welding operations of Philips in Europe. In turn ESAB India acquired the only welding unit of Peico Electricals & Electronics' (formerly Philips India) in a north-east Bombay suburb in June 1987.

"We are seriously thinking of expanding our operations outside Europe," says Sandqvist, who was in Bombay recently. "In the next few years, we hope to see south east Asia emerge as a major part of our worldwide operations," he says.

Sandqvist is confident that ESAB India will soon enter the export market: "With the strong trading ties that India has with Russia we hope to capture a large part of that market."

ESAB India (turnover in 1987: Rs.10 crores) is going public in October 1988. ESAB Holdings Ltd, UK will participate in the equity of the new company to the extent of Rs.1.99 crores (39.9 per cent). It will also transfer the requisite technology on an ongoing basis. Says Sandqvist, "The big advantage we have is that the project has no gestation period since the company is already in business."

SVEN RISKAER

"We, by and large, participate in high risk ventures, even if it is at the cost of a relatively low return on our investment," explains Sven Riskaer, managing director of Investment Fund for Developing Countries (IFU), who was in Bombay last week. The Danish fund was established in 1967 by an act of Parliament, and is a self-governing institution which forms a part of Denmark's efforts in promoting development in the Third World. The IFU acts as a catalyst for the establishment of new ventures between Danish companies and their counterparts in developing nations by contributing to the equity and providing loans

The fund was started with US $ 50 million and had grown to US $ 200 million by 1987. Riskaer says that most of this appreciation has accrued from investments made in Danish bonds and not from those made in companies in developing countries. "We don't make too much money in the latter because we invariably pull out once the company starts doing well. We are very active during the initial periods of small or no profits, when the joint venture needs our help most," says Riskaer.

The IFU has participated in 130 projects in 45 countries and is very keen to come to India. Of his first formal visit to India, Riskaer says "The awareness among small and middle size Danish companies of investment opportunities in India and other developing countries is almost non-existent; their perception of the world market is largely restricted to Europe and North America. We hope to rectify this and mobilise Danish investment in developing countries where the potential for growth is tremendous."

ROBERTO ZANIBONI

The SM group is diversifying into food products after doing rather well in speciality chemicals. An agreement was signed with Mapimpianti of Italy, Western Europe's leading supplier of food-processing equipment and technology. "The plant and equipment we have supplied the SM group incorporate state-of-the-art technology and is highly automated," says Roberto Zaniboni, a director of Mapimpianti Spa.

The automation of the plant will ensure a high level of consistency and hygiene. Electronic sensors continuously monitor the various stages — mixing, extrusion drying, frying, roasting and packaging. Says Zaniboni, "The metallised polyester packaging is designed to instil longer shelf-life in the product without any loss of crispness, flavour and taste."

Mapimpianti is a medium size company with sales of about US$ 100 million. It produces machinery for instant soups, baby foods, etc.

According to Zaniboni, Mapimpianti has already supplied a number of machines to different companies in India. Some of the better known ones are TTK Pharma. and Shree Foods.

Zaniboni is of the opinion that the potential for ready-to-eat foods in India is enormous; he is looking forward to doing more business with Indian companies in future

BURROUGHS WELLCOME

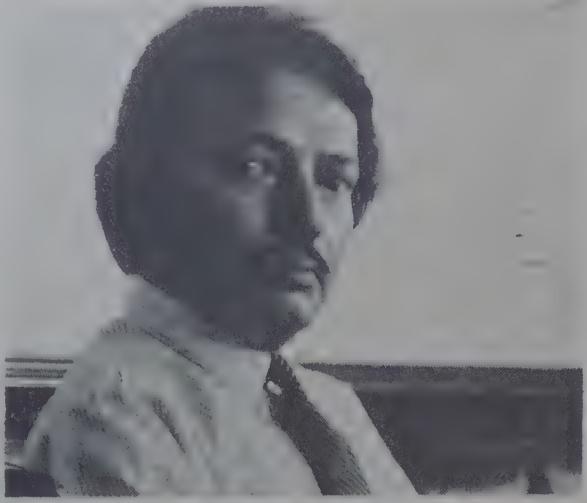
Next AIOCD target?

The All India Organisation of Chemists and Druggists (AIOCD) is about to flex its muscles once again. And Burroughs Wellcome (BW) could be the next target of a nationwide boycott by pharmaceutical wholesalers and retailers. In that event the Rs.70-crore (estimated sales for 1987-88) multinational's products could start disappearing from traders' shelves as early as next month, according to Kishore Shah, the powerful vice-president of the AIOCD. Shah had earlier masterminded the four-month-long trade boycott of the pharmaceutical giant Glindia, which was called off recently after the company agreed to raise its wholesaler margin by 1 per cent.

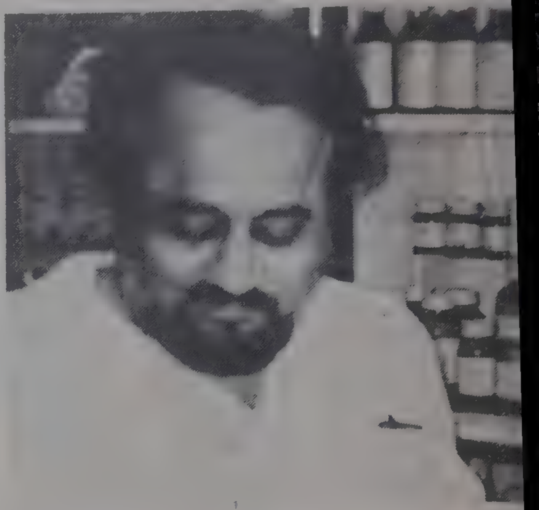
But Shah's reasons for the proposed boycott of BW products are far from convincing. The company already pays its wholesalers a margin of around 10 per cent on most of its products which is much higher than the industry average. In comparison Glindia pays around 6 per cent, Pfizer 5.5 per cent and Alembic around 8 per cent. According to Shah, Burroughs needs to be taught a lesson because its president D.K. Bose "tried to use his influence in the West Bengal government and break the Glindia boycott in Calcutta". "He tried to bring about disunity in our organisation and he will have to suffer the consequences," Shah adds.

Unreasonable boycott. Bose, however, says that this is a "ridiculous allegation". "I held some informal discussions with the Bengal chemists' association in my capacity as the vice-president of the Organisation of Pharmaceutical Producers of India," he says, "and not as a representative of Burroughs Wellcome. Since our company margins are higher than the industry average, it would be unreasonable for the chemists to boycott our products." Shah, however, is adamant. "We will demand that they increase their margin from 10 to 12 per cent and if they don't they will have to bear the consequences."

Shah says it won't be long before Burroughs capitulates. In his opinion, Burroughs, being a smaller company, lacks the kind of sustaining power that helped Glindia withstand the trade boycott for four months. "But more important," according to Shah, "Burroughs will buckle down because of the disunity that prevails among the manufacturers. Nobody came to help Glindia during its crisis. In fact others took advantage of the boycott; nobody is going to help Burroughs."



Bose: *"ridiculous allegations"*



Shah: exploiting disunity

The Glindia boycott was sparked off after a government amendment in April this year to the 1987 DPCO; as a result the 16 per cent retail trade margin for controlled category drugs was made exclusive of excise duty. The traders said that this was unfair since it brought down their revenues substantially. Since the original DPCO does not mention anything about the excise duty they had taken for granted that the margins were inclusive of the excise duty. The traders were piqued by the fact that the new DPCO had not raised wholesalers margins.

Selective attack. Glindia was chosen by the traders as their first victim because it is the largest pharmaceutical company in the country. Shah knew that there was no way he could force the government to change its decision; all he could do was plead and make representations. The alternative was to force the manufacturers themselves to give higher margins. He was also aware that if he launched a general boycott against all the pharmaceutical companies he would lose public sympathy on account of non-availability of drugs. On the other hand, if he would boycott only Glindia products, it would badly affect the company, but would not really bother the consumers since most of the drugs manufactured by the company are also manufactured by competitors.

The Glindia boycott began in West Bengal in June, and in the course of the next few weeks spread across the country. But despite mounting inventories and reduced sales, the company stood its ground and refused to give in to the traders' demand. "It was a question of standing by your principles," Glindia's deputy managing director Huma Dhanrajgir had said, "and we were prepared to give in on that." But months into the boycott Glindia fo that all was not fair in this war.

Isolated. It opened up negotiations v the traders apparently after realis that the company's competitors were t ing unfair advantage of the situation a pushing their products in areas wh Glindia products were being boycot The oft-projected facade of unity am manufacturers was just a farce, Glin found out. While it suffered because something that concerned the entire dustry, fellow manufacturers had qualms about harvesting the bene flowing from its misery. "We felt isolate Dhanrajgir says bitterly.

But despite Shah's claims of hav brought Glindia "to its knees", it is cl that he has managed to achieve virtua nothing for his main constituency of c gruntled boycotters — the retail che ists. Their margins have remain unchanged. In fact, despite speculati to the contrary, Glindia refused to c cede the traders' demand for higher tailers' margin on even decontroll products which constitute about 30 cent of all drugs sold in the country.

Glindia's firm position on the retaile margin was a big relief to the industry a whole. "If they had raised the retai margin everyone else would have be forced to follow," says Arvind Nair spokesman of the Organisation of Ph maceutical Producers of India. And as Glindia agreeing to raise its wholesa margin, Nair maintains that it wou have no effect on the other compan since most of them are anyway payi higher margins. But the proposed boyc may disprove this contention. ■

N. RADHAKRISHN

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NK EMPLOYEES

Points of discord

hen Eduardo Faleiro, minister of state finance, failed to resolve the deadlock tween the bank employees and the dian Bank Association (IBA) on 22 ptember, the unions confirmed their cision to strike work for a day. The two nions, All India Bank Employees' Assoation (AIBEA) and the National Conederation of Bank Employees (NCBE) - which according to the IBA, represent 5 per cent of the bank workers — have intly called the strike on 28 September o press for their wage revision demands t the fifth bipartite negotiations.

New equations. Besides these two 'recgnised' unions there are three more clercal or award staff unions in the banking ctor. Of these, the Congress(I) affiliated INBEF and the BJP affiliated NOBW may not support the strike. The CPI(M) ffiliated BEFI is reported to have sunk its differences with the recognised unions emporarily to support the strike.

The term of the fourth bipartite agreement ended in July 1987 and, ever since, the IBA has been negotiating with the unions to come to a new settlement. The delay has been due to court injunctions brought by the unrecognised unions in order to get IBA to include them in the fifth bipartite.

Over the last 14 months, both the recognised unions and IBA have revised their initial proposals but even now differences remain. The unions had originally demanded a package of Rs.500 crores but have now pegged down the figure at Rs.306 crores. Against this, the IBA has offered a package of Rs.200 crores. "However the chapter is not closed as far as IBA is concerned," says R. Srinivasan, chairman of IBA.

In terms of specifics, the points of mismatch are:

- **Scales of pay.** The unions are demanding a maximum increment of Rs.140 (revised from Rs.165) for the clerical staff while the IBA is unwilling to give them more than Rs.110 (revised from Rs.100). This, Srinivasan feels, is a substantial increase from the previous maximum increment of Rs.95 given at the fourth bipartite.
- **Graduation allowance.** The IBA has proposed the withdrawal of the two-increment graduation incentives which it thinks is outdated since most of the clerical staff today are graduates. However, to ensure that the stafrf does not lose salary, it has suggested a higher starting salary. The unions have rejected this offer, says Srinivasan.
- **Dearness allowance.** The IBA has offered a DA package which it feels is much better than the existing DA formula. Besides, it has suggested the introduction of a six point cycle for computing the payment of DA instead of the present four point cycle, taking into consideration easier calculations and faster movement of the consumer price index (CPI).

The union leaders, however, feel that Srinivasan is trying distort the issues. It is not merely the question of the maximum increment but of drawing up of an entire pay scale and the introduction of what they see as a retrogade DA scheme.

The unions explain that, after the fourth bipartite, the basic pay scale for the award staff ranged from Rs.560 to Rs.1,660 (calculated on the basis of merging 332 points of the CPI). For the fifth bipartite, the unions had asked for a merger of 660 points but, after negotiations, had agreed to 600 points. On the basis of this, the pay scale would range from Rs.896 to Rs.2,861 over a period of 20 years. But this would necessarily imply a maximum increment of Rs.140 somewhere in the next 20 years. So, if the IBA agrees to a 600 point merger, then it has to also agree to a maximum increment of Rs.140. However, the IBA proposes to increase the slab from 20 to 22 years so that the maximum increment will be Rs.110.

With the CPI at 772 points in the second quarter of this year, taken as the basis for the negotiations, the merger of 600 points leaves 172 points. These, according to the present system of DA calculation, will be divided into 43 slabs of four points each. Thus, the staff will get compensated for 43 slabs instead of just 28 slabs if the six point cycle is introduced, the union leaders feel.

"Cannot surrender". Regarding the graduation allowance, the employees find the IBA's offer to replace the two increments by a higher starting salary unacceptable, if it insists on extending the span of the scale by two years. This will mean a reduction in total salaries in real terms, as the number of new recruits is fast dwindling due to computerisation. "We have reduced the span from 25 years to the present 20 after a great struggle during the second bipartite negotiations," says S.D. Bhopeshwarker, general secretary of the Maharashtra wing of AIBEA. "We can't surrender this benefit."

The employees feel that the IBA is seeking to reduce the staff salary bill even as the expenditure of banks is reducing and the profits are increasing.

What Srinivasan fears, however, is the cascading effect an increase in staff salaries will have on those of the officers. The bank officers' organisations are already waiting in the wings to begin their wage negotiations as soon as the staff demands are settled.

■ ALOYSIUS FERNANDEZ

CAUVERY WATER DISPUTE

No give and no take

When the talks between the Karnataka chief minister, S.R. Bommai, and the Tamil Nadu governor, P.C. Alexander, on the sharing of the Cauvery waters broke down recently, nobody was very surprised. The dispute, which has been going on for almost two decades, does not seem anywhere near an amicable solution. According to Alexander, there was no meeting ground on any of the points raised. But Bommai is still optimistic about a solution. Like most issues of this sort the situation appears to be inextricably politicised. But the failure to come to an agreement has clear economic and human consequences.

Alexander: no meeting point

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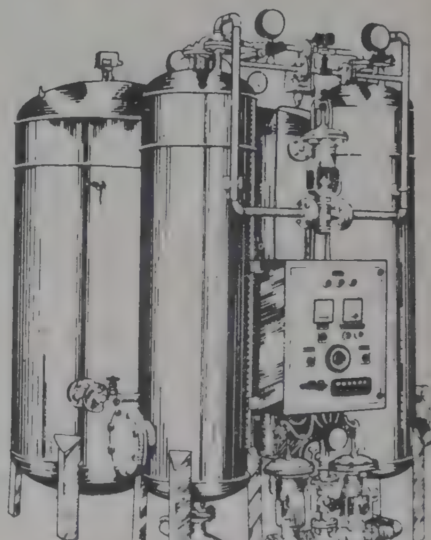

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avy losses. According to the Cauvery lta Farmers' Association, between 1974 1 1987 the total loss of production of dgrains in the region amounted to 150 crores and the loss of wages to 50 crores. Over one million landless ourers in the region have been hit lly. Agriculture in the delta has be- ne a gamble given the vagaries of the nsoon.

The Cauvery originates in Karnataka. e Cauvery basin extending over an area 88,000 sq km is shared among Tamil du (49,000 sq km), Karnataka (36,000 km), and Kerala (3,000 sq km). After litting into several branches in Tamil adu, the branch which retains the name uvery eventually joins the sea in Ker- . The Cauvery basin is especially im- rtant for Tamil Nadu because it counts for nearly 64 per cent of the oss irrigated area in the state.

It is Karnataka's contention that ough the river originates in the state it as never received its proper share of ater. The way the waters of the Cauvery ere to be used was decided in agree- ents in 1892 and in 1924 between the overnment of the old Madras presidency nd the former princely state of Mysore.

Karnataka, however, says that the 1924 greement has not only run its 50-year enure but is also heavily tilted against he state. It insists on a "fair and equita- le" distribution of water without refer- nce to the agreement.

Karnataka's argument is that though it ontributes 52.5 per cent of the available ater, its share of irrigation water has een pegged at only 24 per cent of the otal availability of 740 tmc ft. While amil Nadu's contribution to availability as only 29.3 per cent it receives 66 per ent. Karnataka has been demanding an ssessment of the yield on the basis of 50 er cent dependability of flow over an 80- ear period. This is against Tamil Nadu's emand for 75 per cent dependability ver 36 years. Tamil Nadu wants its pre- ent share protected in any fresh scheme. amil Nadu feels that Karnataka is pitch- g its demands at a level that would ave only surplus flows to it.

educed inflow. Tamil Nadu's conten- on has been that Karnataka has been ing ahead with its Cauvery basin irriga- on projects much to Tamil Nadu's detri- ent. The construction of a series of ams in Karnataka has doubled the stor- e capacity of the Cauvery water in the ate, and rainfall in the catchment areas as declined. This has greatly reduced inflows of water into the Mettur dam in Tamil Nadu which is critical to the irrigation of the Cauvery delta in Thanjavur district, the rice bowl of Tamil Nadu. During the past decade the Mettur reservoir could be opened for irrigation on the scheduled date only twice and today Tamil Nadu is totally dependent on Karnataka to make *ad hoc* releases from its reservoirs for its irrigation needs.

Bommai: sharing headaches

It was in 1970 that Tamil Nadu first approached the centre with a request to set up a tribunal under the Interstate Water Disputes Act of 1956. A year later it filed a suit in the Supreme Court seeking that the centre be directed to constitute a tribunal. Eventually the case was withdrawn on the centre's persuasion. Instead of a tribunal the centre constituted a committee to collect comprehensive data on utilisation and irrigation practices. But both the findings as well as the assessment of the savings that could be effected in the existing use of water were unacceptable to both states.

A couple of years ago Tamil Nadu again put forth a demand for the setting up of a tribunal to sort the matter out once and for all. Karnataka is against this as it feels that it will be a time-consuming process. There have been innumerable technical discussions and 20 official level meetings in the last 15 years.

Earlier this month the Supreme Court directed the two state governments to begin a dialogue to try and narrow the gaps. Predictably the talks went the way of all earlier talks. Now all eyes are on the Supreme Court to see what it will suggest next.

■

SUSHILA RAVINDRANATH

ALUMINIUM USER INDUSTRY

Hamstrung by raw material shortage

This year, private manufacturers of aluminium goods in the eastern region face a shortage of 50,000 tonnes of commercial grade aluminium ingots. Especially hard hit are the small-scale utensil manufacturers. The Eastern Aluminium Rollers and Fabricators Association (EARFA) has made a representation to the government highlighting this problem. It has warned that if the shortfall is not met, they will have to close down.

Imports stopped. Earlier, when the international price was low, aluminium used to be imported through the MMTC as a canalised item and supplied to domestic manufacturers at the local price. Later, after Nalco was commissioned, imports were stopped as it was felt that Nalco would be able to take care of domestic demand. However, demand has risen phenomenally since then and the gap between supply and demand has steadily widened.

Imports could be a solution. The government now permits import of aluminium under OGL. But the high cost of imported aluminium makes imports unviable. The international price is about Rs.42,000 per tonne whereas the price of indigenous aluminium is about Rs.31,000 per tonne.

EARFA suggested a solution — administered pool pricing. Under this, both domestic and imported aluminium will be sold at a common price that will allow the government to reimburse MMTC the difference between the prices of imported and indigenous aluminium. Besides price equalisation, manufacturers have suggested the waiver of all duties on aluminium scrap imports by actual users.

But why did the shortage arise at all? Judging by the country's installed capacity for aluminium, India should have a surplus of aluminium. But 50 per cent of production is reserved for the electrical conductor or EC grade sector as it is commonly known. And several manufacturers of aluminium require some for captive consumption. Thus, Hindalco, the largest producer, contributes only 60,000 tonnes of its annual production of 120,000 tonnes to private manufacturers of aluminium goods.

Power shortage. Severe power cuts are another problem. Indal, because of mas sive power cuts at its three units, has been able to produce only 30,000 tonnes whereas it has an installed capacity of 117,000 tonnes. Its smelters at Hirakud in Orissa and at Belgaum in Karnataka are operating at less than half their capacity. Says R. Das, corporate planning manager, Indal, "If these smelters had been operating at full capacity, there would have been a surplus instead of a shortage. It was on this premise that the central government stopped imports through MMTC." The teething problems faced by Nalco have also been an important reason for the shortage. There have been several delays; as a result, the company is still in its first phase, producing 65,000 metric tonnes annually against an ultimate installed capacity of 218,000 tonnes. Only 32,000 tonnes are available to private manufacturers.

The shortage of aluminium does not affect everyone equally. The large scale users — the automotive, extrusion and packaging industries — manage to obtain priority allocation. Private manufacturers of aluminium goods in India require 370,000 tonnes of aluminium every year; domestic aluminium companies can supply only 60,000 tonnes or 16 per cent of the demand. And when the larger consumers have taken their share, there's not much left for the small ones.

Over the years, in the eastern region, the number of small manufacturers has been decreasing. One reason is that as the price gap between steel and aluminium narrows, the demand for aluminium falls. But this does not mean a fall in overall demand for aluminium. As traditional aluminium-using industries fade out, newer ones come up. The most important one today is the packaging industry. Tetra packs, in which a variety of foods are now marketed, use aluminium foil. And as the middle-class grows and the consumer boom continues, no slackening of demand seems in sight.

The aluminium user industry is today growing at a rate of 7 per cent a year. What is more, it has tremendous potential. If this potential is not to be strangled, the government needs to ensure that the industry receives adequate supplies of raw material. The supply this year may improve after the good monsoon and the consequent improvement in the power situation. But this alone is not enough. More active steps by the government are required.

■ MADHUMITA BOSE

AVIATION

Meenambakkam to Heathrow

Last year, when Mike Kately, manager for India, Nepal and Sri Lanka of British Airways was in Madras for a visit he had declared that the airline would not give up its efforts to operate a direct flight from Madras to London. The efforts have now borne fruit. "We will be operating the first-ever direct flight from Madras to London on 4 November," he announced in Madras.

It was a welcome announcement for many regular travelllers to London from Madras. "This was really long overdue," says A.L. Mudaliar, chairman, India Cements Ltd, a frequent visitor to London. "This flight will not only help Madras but also attract passengers from the other southern metros like Bangalore, Hyderabad and Cochin," says one travel agent.

New connection. The flights will leave Madras airport every Friday and Sunday night (so that travellers from the other southern states can catch the flight comfortably) and land at London's Heathrow airport at 6 o'clock local time the next morning after a stop-over in Kuwait. From here the traveller can take any of the dozens of connecting British Airways flights leaving London throughout the day for every major city in Europe and the United States. The incoming flight will leave Heathrow on Thursdays and Saturdays to land in Madras on Fridays and Sundays. British Airways certainly has its eyes on south Indian immigrants to the US who account for about 40 per cent of the more than one million immigrants of Indian origin in that country.

The airline has been trying
many years to get this route. An
reason. The international air t
from south Indian centres grew
cent in 1987 over 1986, twice th
average. This upward trend is c
through 1988, mainly in comm
vacation travel. The cargo rev
went up by 8 per cent from 198
Also, Madras today is the third-
ferred destination in India.

K. Shivaraman, manager f
Nadu, Air-India, refutes the
that Air-India will be hit by this
ment and that it tried to sta
welcome this development. Thi
for the aviation industry. Nobod
to get affected when the cake i
bigger," he says. The airline's sou
point out that the British gov
has agreed to allow it increased f
on the London-Canada route, as
quid pro quo arrangement. A
April next year the airline will in
ability introduce the new 747 Co
operate the Madras-London rou

■ SUSHILA RAVIND

DEEP-SEA FISHING

A poor catch

Press reports say that the union
ment plans to stop approving pr
for setting up deep-sea fishing v
under the scheme for 100 per cent
oriented units for fear of overcr
However, the crush of proposals h
only for small shrimp-fishing ves

Proposals for joint ventures in
foreign companies and large d
vessels have not been forthcomin
The government's target for the

British Airways aircraft: option for Indian immigrants

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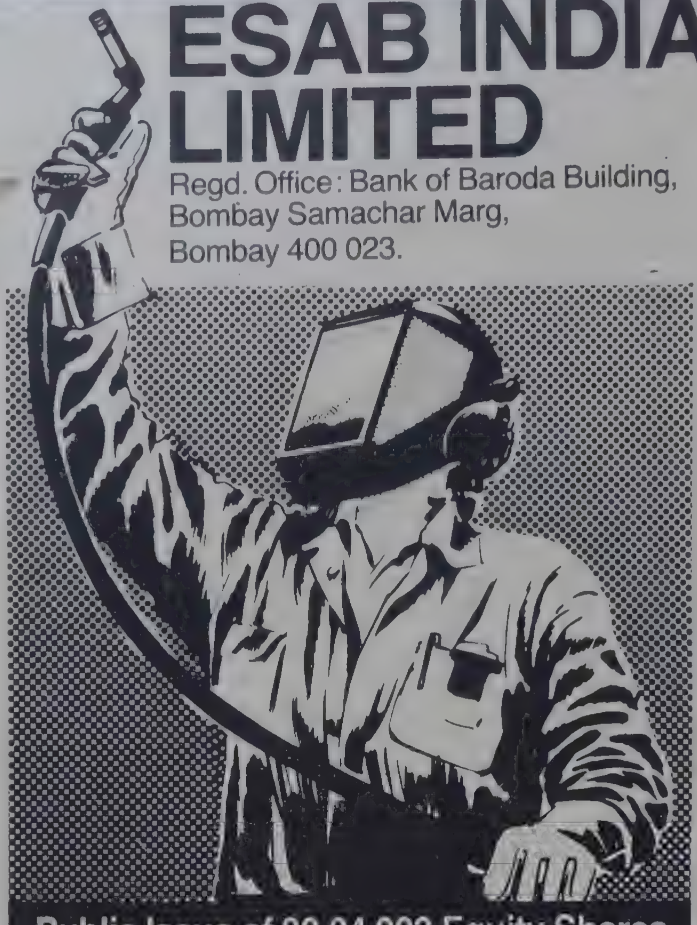

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an is 500 such vessels. This was an- ounced in 1986. Yet, almost two years n, the incentives have not proved power- l enough to attract entrepreneurs.

Only two ventures have materialised so r. One, with an investment of about Rs.1 rore, is between the Japanese group himizu and the Madras-based KSK Fish- ries. The other is between Hyderabad's ndus Foods Ltd, promoted by NRIs, and he reputed American company van amp Seafoods. This venture involves a ophisticated vessel intended mainly for una fishing, which is worth about Rs.4.5 rores, with a helicopter and helipad hrown in. Three more applications are waiting clearance — one for a collabora- ion with a Greek company, and two thers with Australian companies.

Incentive schemes. Under the incentive scheme no duty needs to be paid on import of capital goods, raw materials and consumables. Second-hand vessels, not more than eight years old, can be brought in too. The *pari passu* condition (ie, the obligation to order one vessel from an Indian yard for every two vessels imported) is not applicable to the EOU scheme. To ease things further, the government promises faster clearance of licences for such units.

Why then are there so few takers? Financial aid from banks or institutions like the Risk Capital Foundation or the Technology Development Corporation is virtually non-existent. They regard deep-sea fishing as too risky. Banks, in particular, fight shy because of their bad experience with the seafood processing industry.

The government too offers no subsidies — mainly because deep-sea fishing is not classified as an industry. Were that to happen — and the Marine Products Export Development Agency (MPEDA) is pushing towards that — the incentives offered to an industrially backward area (eg, a 25 per cent investment subsidy) would follow.

Inputs are costly too. In India the cost of high-speed diesel is twice the international price — about Rs.3,900 per tonne, compared to Rs.2,000 in the foreign market. The government allows Indian companies a drawback of Rs.300 per tonne, but there are so many conditions attached to the scheme that it effectively bars several fishing companies. Even the subsidy on diesel announced recently applies only to generating sets of land-based processing factories.

Lack of infrastructure. Yet another problem is poor infrastructure. Most of the country's fishing harbours have not been developed to suit deep-sea vessels. Only Visakhapatnam has been developed fully — it currently sustains most of India's 148 deep-sea vessels.

On the west coast, the important centre of Cochin presents a pathetic picture. Its fishing harbour can still accommodate only the smaller vessels. This is despite promises by the government to dredge and equip the Cochin harbour for deep-sea vessels. An even more glaring disincentive is the rate that the Cochin Port Trust charges for wharfage. At 1.5 per cent of the total value of the catch, it amounts to a penalty for the more efficient fishing units. No other port pegs its rates to the value of catch. It is always related to vessel size and the number of days of berthing.

Seafood exports have traditionally concentrated on shrimp. Overfishing has seriously affected shrimp resources. An estimated 4.47 million tonnes of other varieties of seafood is exploitable every year in India's 200-mile Exclusive Economic Zone. About half of this is within the coastal area upto a depth of 50 metres. Yet only 1.5 million tonnes or 35 per cent of the total potential is currently being exploited. To reorient fishing activity to go for tuna, squid, cuttlefish and deep-sea lobsters more deep-sea vessels are needed.

■ K.G. KUMAR

MOLASSES EXPORTS

Short of storage space at ports

The government's decision last year to allow, in principle, the export of molasses has created problems which the sugar industry had not envisaged when it welcomed the move.

While the industry's export agency, the Indian Sugar Import and Export Corporation (ISIEC), has been given the mandate to export 400,000 tonnes of molasses, it lacks adequate storage capacity at the major ports. The bulk of storage capacity is controlled by Indian Molasses Company Private Ltd (IMCPL).

The IMCPL has reportedly lobbied actively with the government to either declare it as the sole exporter, or place molasses export under OGL, release some quantity to be exported by the IMCPL, leaving the remainder to the ISIEC and other parties. The industry is firmly against such an arrangement. "Unfortunately, IMCPL controls 93 per cent of the storage capacity for molasses at the country's 11 major ports," says a sugar industry spokesman. Therefore the ISIEC has been hard-pressed to make alternative storage arrangements at the ports to ensure lifting of the excess molasses from the mills in view of the ensuing crushing season in October.

Storage capacity. The ISIEC maintains that IMCPL has empty capacity which it refuses to make available. The IMCPL has 35,000 tonnes capacity at Madras, 15,000 tonnes at Kandla, 15,000 tonnes at Calcutta, and 5,000 tonnes at Mangalore. According to sugar industry sources, all this capacity was created exclusively for the storage of molasses, when the IMCPL was acting as an STC agent, and was given the necessary land by the respective port trusts. The result is that today the ISIEC has not been able to hire storage space at Bombay. Also molasses from Tamil Nadu will have to be routed through Mangalore since IMCPL reportedly has a monopoly of molasses storage space at Madras, thereby resulting in an additional transport cost of Rs.300 per tonne.

"While the ISIEC has made alternative arrangements at Goa, Mangalore, Haldia and Calcutta, a permanent solution has to be found to the storage problem," comments S.L. Jain, secretary-general, Indian Sugar Mills Association (ISMA).

The ISIEC is also making arrangements to build storage tanks at Kandla, Mangalore and Haldia with a total capacity of 50,000 tonnes, which will be ready in a few months. So the problem will be alleviated to some extent. However, the sugar industry's main worry seems to be that in the interim the IMCPL may move the authorities to either grant it sole exporter status or have molasses exports placed under OGL.

Sugar production touched a record 9.15 million tonnes in 1987-88 and is expected to reach 10 million tonnes next year. The surplus molasses, according to the government's estimates was 1.5 million tonnes, and is expected to remain at this level next year. Says Ram V. Tyagarajan, president, Indian Sugar Mills Association (ISMA), "A solution has to be found, since the export of molasses is likely to be an ongoing exercise with the continuing rise in production of sugar".

■ DHARANI K. PANI

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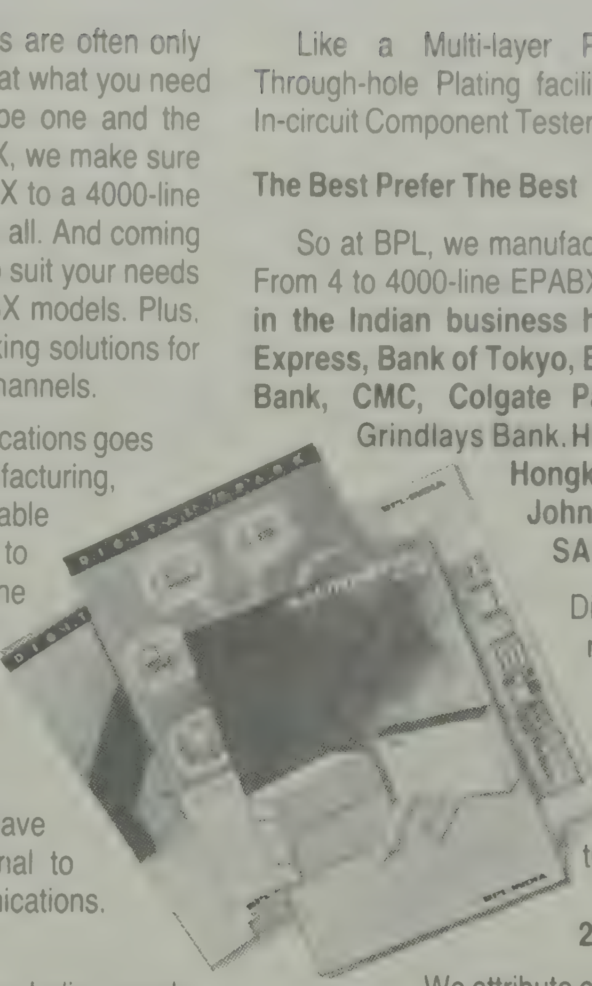

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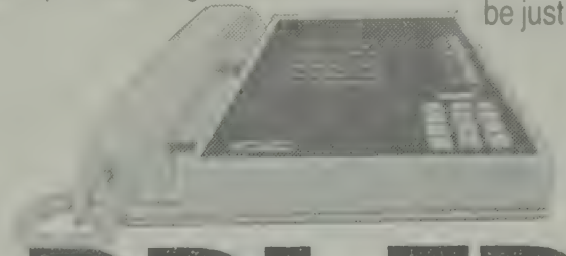

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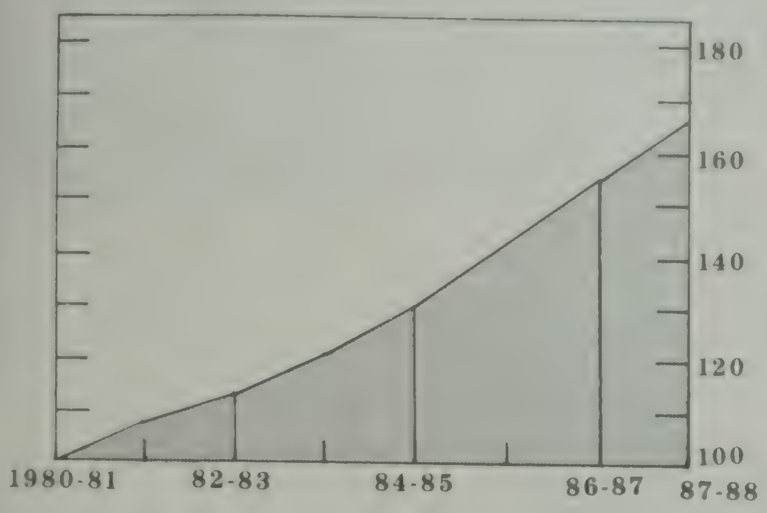
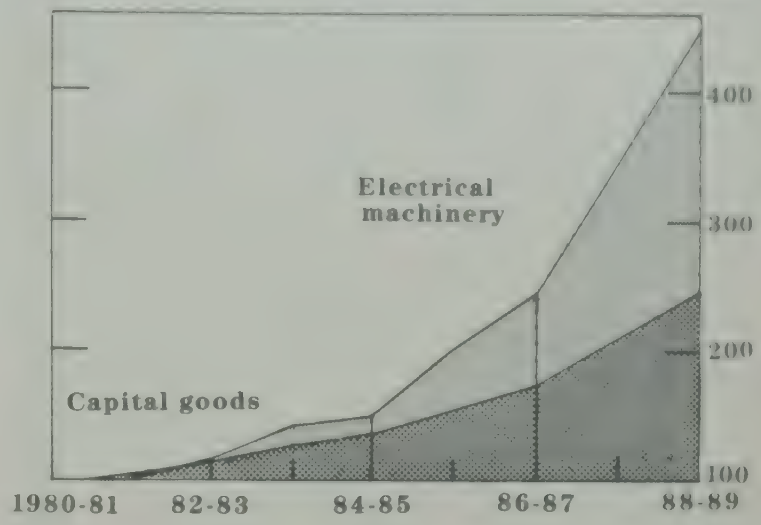
Enterprise D

Index of industrial production



The index of industrial production — all industries — has risen from 109.3 in 1981-82 to 166.7 in 1987-88, which works out to a compound annual rate of growth of 7.6 per cent. The projected growth rate for 1988-89 is about 10 per cent. The laggard in industrial production is manufacturing, which grew at around 7 per cent per annum. Mining and quarrying registered the highest growth rate of 9.4 per cent.

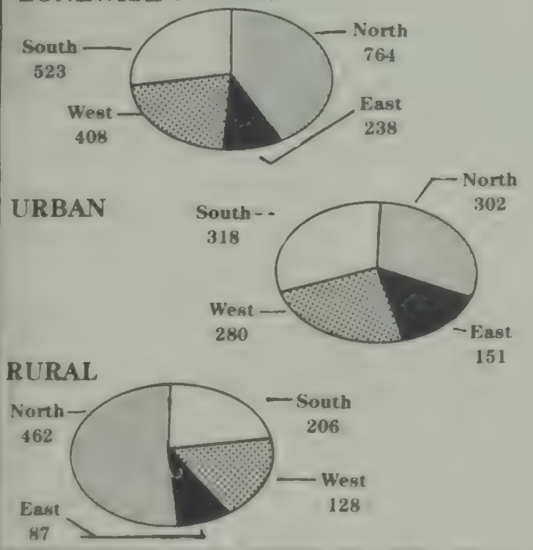
Index of capital goods (year ending March)



The capital goods index has grown by a factor of two between 1980-81 and 1987-88. It is expected that this sector will grow by 22 per cent in 1988-89. This high growth in the capital goods sector is due to the phenomenal growth in the electrical machinery sector, which has grown by 40 per cent in 1987-88 and is expected to grow by 35 per cent in 1988-89.

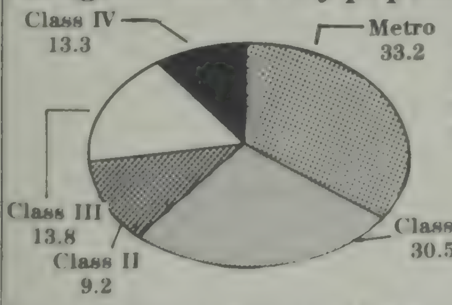
View of analgesic (pain killer) market

ZONEWISE *(Rs. lakhs)*



The total market for analgesics (pain killers) has been estimated at 11,593 lakhs tablets valued at Rs.1,934 lakhs. The urban sector accounts for 54 per cent by value and 51 per cent by volume. Thus showing the significant contribution of the rural sector. North zone is the leader in the all India market.

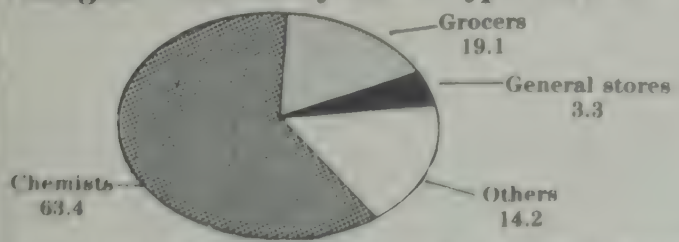
Analgesic market by population strata *(Rs. lakhs)*



Metro	Above 10 lakhs
Class-I	Between 1 lakh & 10 lakhs
Class II	Between 50,000 & 1 lakh
Class III	Between 20,000 & 50,000
Class IV	Between 20,000

Metro and Class-I towns are the largest contributors to the analgesics market. They together account for 63.7 per cent of total sales by value.

Analgesic market by outlet types urban *(Rs lakhs)*



Chemists are the major outlets for analgesics, followed by grocers. Together they account for 82.5 per cent of total sales by value.

Courtesy: Operations Research Group

Wholesale price index: the WPI-all commodities was stable in the month to 27 August. Among primary articles fibres and oilseeds increased by 2.4 per cent and 1.9 per cent respectively. There was a sharp increase in the price of jute hemp and mesta textiles (by 11 per cent) among manufactured products.

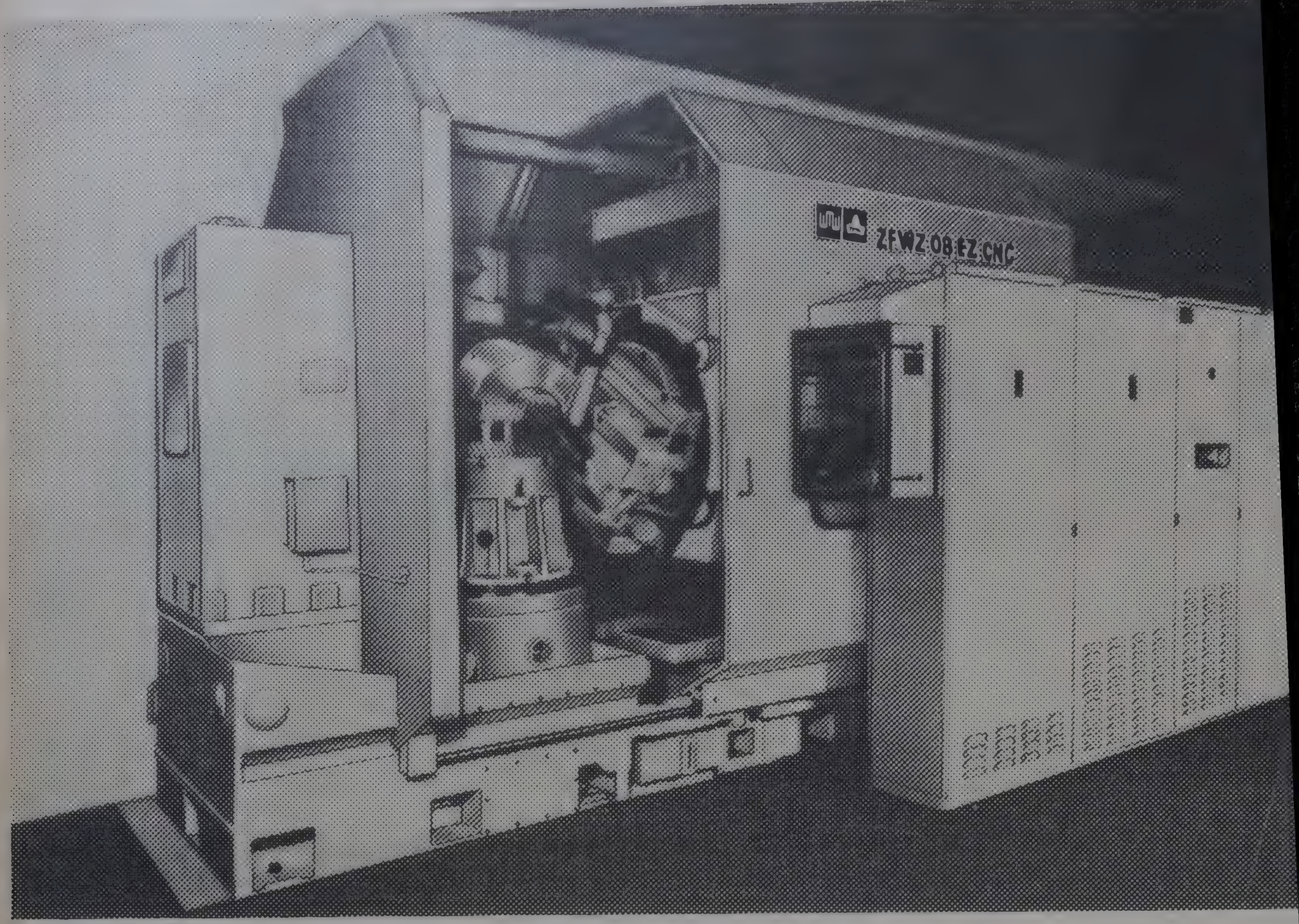
(1970-71=100)

	27 Aug 1988	30 Jul 1988	29 Aug 1987	% change over month	% change over year
All commodities	435.4	433.8	412.7	0.36	5.5
Primary articles	411.5	408.1	395.0	0.83	4.2
Mfg. products	415.5	415.2	389.8	—	6.6

Money and banking (scheduled commercial banks): Broad money (M3) and aggregate deposits were relatively stable during the month to 9 September 1988. Bank credit declined marginally but there was a sharp drop of 12.5 per cent in food credit.

(Rs. crores)

	9 Sept 1988	12 Aug 1988	11 Sept 1987	% change over month	% change over year
Broad money (M3)	173,958	173,467	148,341	0.26	17.3
Agg. deposits	128,312	127,401	108,016	0.71	18.8
Bank credit	72,509	72,659	64,148	− 0.21	13.0
Food credit	1,437	1,642	4,49	− 12.5	− 64.5
Cred/dep. ratio	56.51	57.03	58.95		



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ICICI study: sales and profits dip

There was a slowdown in growth of sales and value of production in 1986-87, virtually no increase in gross profits and a decline in profits both before and after tax as well as in retained profits. This was revealed in an analysis done by ICICI on its 417 assisted companies. However, capital formation, especially in plant and machinery, continued at an accelerated pace, despite the decline in profitability. Sales increased by 8.6 per cent against 15 per cent in the previous year. Growth in sales during 1986-87 was the slowest in the five year period 1982-83 to 1986-87.

The increase in expenditure at a rate faster than income put pressure on profit margins. The increase in total expenditure was mainly due to higher costs of raw materials and power and fuel. The gross profit margin (gross profits as a percentage of net sales), which rose steadily over the last three years to 10.5 per cent in 1985-86, fell to 9.7 per cent in 1986-87. In absolute terms profits before tax, profits after tax and retained profits declined significantly in 1986-87 over the previous year. There was a decline in operating profits because of higher interest burden. Profit after tax declined by as much as 19.3 per cent in 1986-87. This steep fall in margins had an impact on retained profits, which fell to Rs. 588 crore in 1986-87, a decline of 30.4 per cent during the year. Interestingly, retained profits had almost doubled from Rs. 464 crores in 1983-84 to Rs. 846 crores in 1985-86.

Due to the fall in profitability, the return on capital of the 417 companies, the report points out, fell to a year low of 13.6 per cent in 1986-87. The maximum number of companies (299) showed a return of between one and 20 per cent.

However, surprisingly dividends as a percentage of profit after tax increased marginally to 40.1 per cent from 38.9 per cent in 1985-86.

From the sample of 417 companies 113 companies skipped dividend as against 109 in 1985-86. But the number of companies that declared a dividend between 10 and 20 per cent increased by nine to 195. Therefore, in a year when profits declined, dividend was either maintained or hiked by many companies. This is a clear indication that with the increased reliance on capital markets, companies need to keep their investors happy even in bad years.

The tempo of capital formation was maintained in spite of the decline in profitability. The bulk of the increase was in gross fixed assets formation, which accounted for 83.5 per cent of the gross capital formation. Plant and machinery accounted for 80 per cent of the increase in gross fixed assets formation and 83.5 per cent of the gross capital formation. Plant and machinery accounted for 80 per cent of the increase in gross fixed assets. In contrast, the rising trend in the growth of inventories over the last three years was curtailed and inventories rose by only 8.5 per cent, as against 18.4 per cent in the previous year. With the decline in the growth of inventories, its proportion in current assets also declined and that of cash and bank balances increased.

The all-industry average of growth in net sales and gross profit in 1986-87 was 8.6 per cent and 0.6 per cent respectively. Going by this benchmark the industry groups power generation and distribution, rubber products, automobiles and cycles, glass and pottery and electrical equipment manufacturers performed rather well.

Capacity utilisation during 1986-87 was about the same as last year (about 75 per cent). However, rubber products and the sugar industry registered a significant increase during the year. The number of companies with less than 50 per cent capacity utilisation increased to 53, as against 44 in 1985-86.

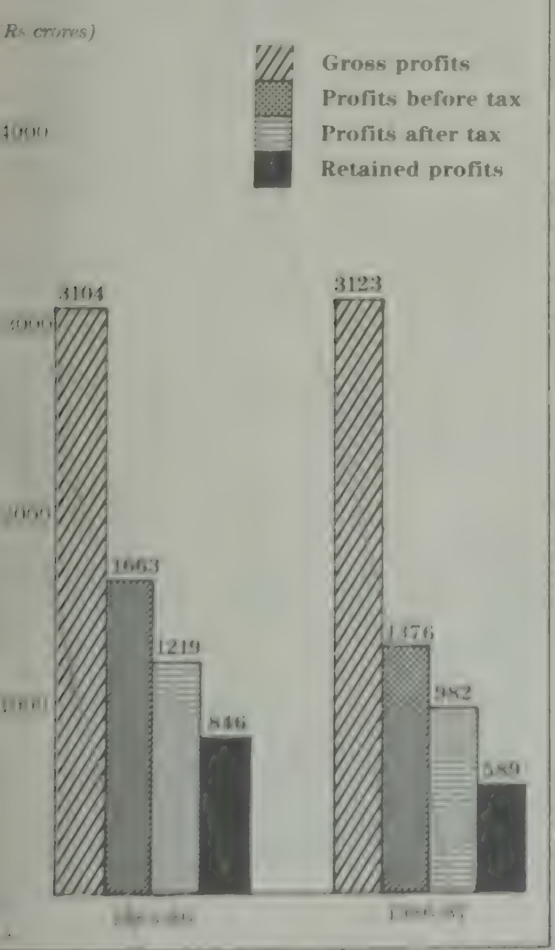
Considering that the need to export is becoming an urgent necessity the 264 exporting companies did not perform very well. Exports increased by only 2 per cent to Rs. 1,242 crores in 1986-87.

If current trends in corporate performance are anything to go by 1987-88 should once again see a revival in sales and profitability.

■

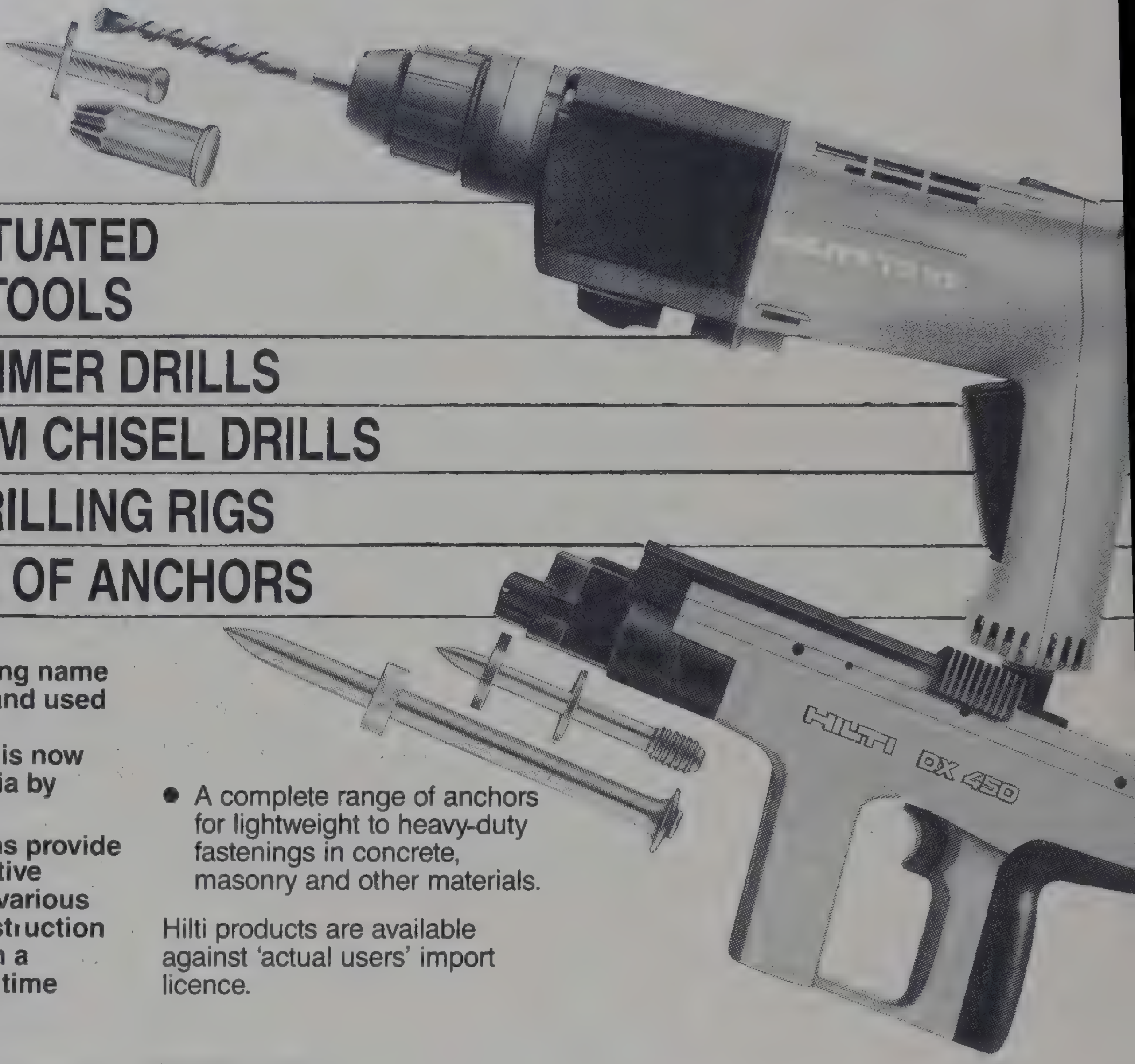
ASPI CONTRACTOR

Corporate sector profits



FROM THE WORLD'S MARKET LEAD

HILTI



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CHAITRA-B G

Take it or leave it

Speaking a few months ago to the Confederation of Indian Engineering Industry the prime minister asked why direct foreign investment into our economy was minuscule compared to inflows into other developing countries. Foreign investment in ASEAN countries, he pointed out, was around Rs.15,000 crores per year. India, on the other hand, received only a paltry Rs.100 crores.

"The level of external borrowings," Rajiv Gandhi said, "has expanded over the past several years reflecting our growing needs and absorptive capability. But the flow of direct investment has remained very small. Yet direct investment has some advantages over loans. Loans have to be repaid whether investments are productive or not. But direct investment leads to outflows only after there is production and then too only when there is a profit." He did not add that repatriation of profits only takes place after a considerable contribution has been made to the exchequer by way of excise duty and taxes nor that direct foreign investment is generally the best form of technology transfer because the investor has a greater stake in making a go of the project than in cases where there is only a one-shot sale of technology.

There are, in fact, several reasons why the inflow of direct foreign investment into India, to use the prime minister's words, is minuscule and it must be readily admitted that not all of these have a bearing on goverment policy.

India over the years has consistently got an undeservedly bad press in the West. The reportage, with rare exceptions, has been confined to riots, natural disasters and epidemics that rock parts of India from time to time but which in themselves are of no great significance when the overall size and stability of the country is taken into account. Most potential investors are aware of the problems in Punjab and the north-eastern states, and of the drought conditions that have prevailed during the last few years, but few know of the millions who have died in not-so-distant famines in China. Secondly, our own raucous free press, essential for other reasons, does little to inspire investor confidence. China and most ASEAN countries, because of the absence of genuine democratic institutions tend to give an impression of greater stability, law and order, and prosperity than actually exists. With India the opposite is true. The Philippines and South Korea are prime examples of countries where foreign investors have in the past been lulled into a false sense of security by sympathetic overseas reporting and the absence of internal critical comment.

These reasons apart, there are deterrents on the policy plane. The most important is our own ambivalence on the whole question of foreign investment. The government in the past has never been certain whether it wants foreign investment or not and this is true even today. While in international forums we repeatedly invite foreign capital, on other occasions we are reminded that the East India Company originally came to India as traders. An irrational suspicion of foreign companies (whether genuine or motivated) still clouds our political thinking. Are we Allende's Chile? Is it conceivable that Hindustan Lever or ITC can influence the results of a municipal election, leave alone toppling the country's government?

Translated into policy this fear has restricted foreign equity to 40 per cent in projects other than hi-tech or export-oriented industries. There is no logic to this restriction. If the rationale is that it will restrict profit remittances, then the extent of commercial borrowings will correspondingly increase. If the aim is to dilute foreign control over the concerned company, experience shows that a 40 per cent holding almost always gives you full control. Most Indian companies have complete management control with holdings of 30 per cent or less. One may ask: if a 40 per cent equity stake gives management control, why does this limitation deter foreign investors from coming in? Unfortunately, it is not the facts of the matter that count, but the perception and in this case, the foreign investor's perception. Many companies, particularly US companies, feel comfortable only if they have a 51 per cent holding. Since in fact it makes little difference to us one way or the other, why not permit a 51 per cent foreign holding in all areas where we wish to have foreign investment? The governments of ASEAN countries and even China actively woo the foreign investor when they are convinced that such investment is needed; we, on the other hand, have always followed a lofty "take it or leave it" approach.

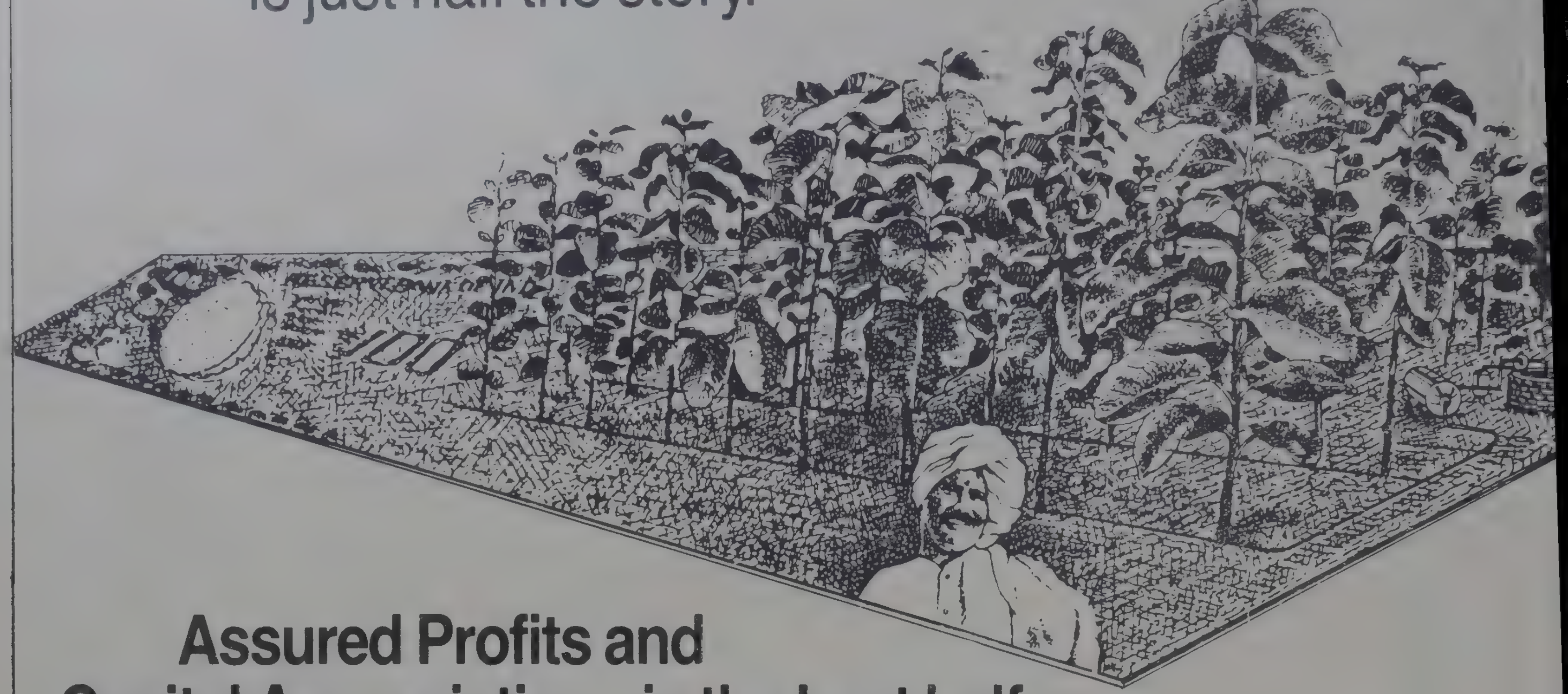
A further obstacle to foreign investment is that the areas of entry are too restricted. It is interesting to note that the Soviet Union under perestroika permits joint ventures in any sector of the national economy: in industry, trade or transport. Joint ventures have already been established to manufacture clothes and a variety of chemicals and to set up restaurants, which would normally not be permitted in India. We do not have to open the doors to any kind of foreign investment, but there is need to considerably widen the area where such investment is permitted from the current 31 sectors and look at individual propositions from two main points of view viz, technological upgradation and exports. Happily a move in this direction is already being made with the addition of food processing to the list. We need to take a second look at export commitments which have, in the past been wholly unrealistic. An export commitment of 25 per cent of turnover will in most cases lead to a reasonable balance of foreign exchange advantage.

Many foreign investors are deterred by the inadequacy of our patent laws, which in general provide a safeguard of 14 years for most industries (usually reduced effectively to ten years because it takes three or four years to get a patent registered) and seven years for the food and drugs industry (reduced to three years for the same reason). Again this is a case of mistaken perception because, in fact, there is hardly any infringement of intellectual property rights in India and in any case such infringement is difficult without the requisite inflow of technology. Though joining the Paris convention may not be the answer, we should consider adding to the life of the patent the time it takes to get the registration without altering the period of duration.

Finally, despite the procedural simplification that has taken place, there is a need to speed up the process of decision-making. The delay of two years in the clearance of the PepsiCo case is perhaps understandable because it got politicised. But even the relatively straightforward Adidas-Bata collaboration was finally approved in an acceptable form a full 26 months after the application.

■ A RANGANATHAN

Adventing modern technology in agriculture to increase yields and conserve water... is just half the story.



Assured Profits and Capital Appreciation...is the best half.

A part of the dynamic Jain Group of Jalgaon – having deep roots in agriculture and a proven track record of over 25 years – Jain Irrigation is all set to revolutionise irrigation in India.

Jain Irrigation has collaborated with Hardie Irrigation of Italy, the world leaders in irrigation systems. The Jains are pioneers in promoting scientific and integrated approach and have established an extensive product range.

The system facilitates slow but continuous availability of water, so that plants do not suffer from shock or stress and their even growth is guaranteed. The result – increase in yields upto 230% and savings in water upto 80% have been recorded.

To date the Company has crossed Sales Turnover of Rs. 325 lacs with Pre-Tax Net Profit of Rs. 11.64 lacs

Having achieved more than 40% indigenisation, the Company expects to be independent of imports by the end of next year. Production has already commenced in rented premises.

The construction of the factory is in progress on the Company owned 10 acre plot at Bambhori Dist., Jalgaon and is expected to be complete in all respects by June,1989

With a project outlay of Rs. 7.8 crores, the Company is confident of achieving a Sales Turnover of Rs. 10 crores in the coming financial year. This would only represent 0.01% of the total market potential.

The demand is expected to accelerate with the Central Government contributing 50% of any subsidy declared by a State Government for purchase of this system. Maharashtra, Karnataka, Tamil Nadu and Gujarat have taken the lead by declaring subsidy up to 50%. More States are expected to follow suit.

With an assured and untapped market Jain Irrigation is set to blaze a trail in the annals of agro-based industries. With this market potential – the future promises more than just rich yields.

ISSUE HIGHLIGHTS

- ★ **PROMOTERS :** Jains of Jalgaon having deep roots in agriculture & proven track record of over 25 years.
- ★ **PRODUCTS :** A state-of-the-art irrigation system which guarantees increase in yield upto 230% and savings in water upto 80%.
- ★ **PROSPECTS :** Untapped Market – The estimated Turnover of Rs.10 crores in the coming financial year is only 0.01% of the market potential.
- ★ **COLLABORATORS :** James Hardie Irrigation (Italy) SRL – World patent holders and the largest manufacturers of Micro Irrigation Systems.
- ★ **Assured Dividend in the very first year.**
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25 YEARS
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GROUP

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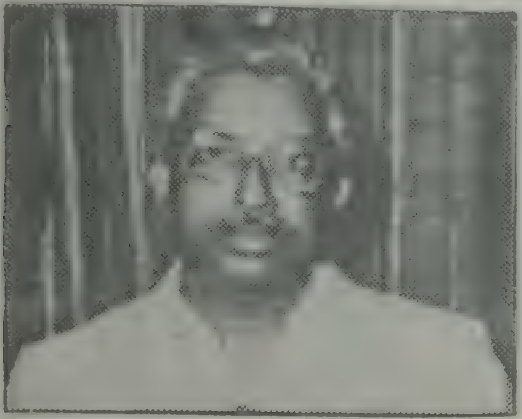
Jalgaon 425 001, Maharashtra

THE INSTITUTE OF CHARTERED FINANCIAL ANALYSTS OF INDIA

Registered Office: Road No 3, Banjara Hills, Hyderabad - 500 034



Dr. A. Besant C. Raj, DBA (Harvard)
Chairman

Chairman's Speech - Fourth Annual General Meeting

It gives me great pleasure to welcome you to the Fourth Annual General Body Meeting of the Institute. During 1987-88, your Institute has made significant progress in terms of academic work, student enrolment and other activities.

The CFA Programme

The CFA Programme launched by the Institute in 1985, with the support of the Institute of Chartered Financial Analysts, USA, has been receiving excellent response. The cumulative enrolments have gone up from 5588 in 1987 to 7975 during this year. The profile of the CFA students indicates that the programme continues to attract professionals from different disciplines and executives employed in banking sector, industry and government.

You will be happy to know that the major All-India Financial Institutions like IDBI, ICICI, IFCI, UTI, and several private and public sector organisations are reimbursing fee (paid to the Institute) to their employees enrolled in the CFA Programme.

The Institute has so far conducted four examinations for Preliminary and Inter Levels, in the last two years. The pass percentage at Preliminary Level varied between 40-50% and at Inter Level it was around 25%.

Development of study material for Inter Level was completed during 1987-88. Study material for the Final Level was partly completed during 1987-88. The remaining material is expected to be completed during early part of this financial year.

The Institute has organised oral coaching classes for the benefit of our students at New Delhi, Bombay, Madras, Hyderabad, and Bangalore during the year.

The DBF Programme

I am happy to report that the Institute has developed The DBF Programme (Diploma in Basic Finance) for the benefit of Corporate Executives, Businessmen and Government Administrators. This programme will be useful to those in Production, Marketing, Personnel, Materials Management areas to help them to develop a deeper understanding of the financial implications of these operations. The DBF Programme is essentially a short duration correspondence course with four compulsory modules and two optional modules. The Institute is receiving excellent response from all over India, for this programme announced in April 1988.

Seminars/Workshops

In April 1987, a one-day Workshop was organised on Zero Base Budgeting. This Workshop was attended by a large number of participants from Government Departments, Public Sector Undertakings and Private Sector Companies. The workshop was inaugurated by Shri K. Subramanyam, IAS, Principal Secretary, Food and Agriculture Department, Government of Andhra Pradesh.

The Institute invited Prof Marshall E Blume, Director, Rodney L White Center for Financial Research, The Wharton School, University of Pennsylvania, to deliver the Foundation Day Lecture on June 27, 1987. Prof Blume chose 'Recent Trends in US Capital Markets' as the topic for the lecture. CFA students, members of academic community, senior government officials, and managers from the corporate sector attended this lecture.

CFA Annual Number

The Institute has brought out the CFA Annual Number with articles on various topics in Financial Management, contributed by distinguished academicians and practitioners.

Second All India CFA Chapters' Meet

Second All India CFA Chapters' Meeting was organised on December 26, 1987 at Hyderabad. Representatives of students' chapters from various centres attended this meeting. On the same day a Seminar was organised in which technical papers on 'Leasing Industry in India - History, Problems and Prospects' and 'Zero Base Budgeting - The Indian Experience' were presented and discussed.

Global Affiliations

You will be happy to learn that ICFAI has been admitted as a member of the Asian Securities' Analysts Council (ASAC) representing India. ASAC was founded in 1979 to promote a more co-operative relationship among securities analysts, societies in Asia, to develop analytical techniques and promote the social status of securities analysts, and generally to contribute to the role of securities analysts. At the 9th ASAC Conference held during September 1987 at Taipei, I presented a technical paper on 'Venture Capital in India' on behalf of our Institute.

ICFAI has also been admitted as an institutional member of the International Council for Distance Education (ICDE), Norway. ICDE is an association of educators and educational organisation dedicated to furthering the aims and methods of distance education throughout the world. ICDE is affiliated with UNESCO as a Category B Non-Governmental Organisational.

ICFAI has also become a member of The International Coordinating Committee (ICC) consisting of Financial Analysts Federation, USA, European Federation of Financial Analysts and members of Asian Securities Analysts Council. Among other things, ICC is evolving a common curriculum for financial analysts on a world-wide basis.

Future Programmes and Plans

The first batch of CFAs is expected to come out in April/May 1989. As the number of qualified professionals in this new discipline grows, the Institute is contemplating to draw an ambitious plan for academic enrichment and professional advancement for the CFAs. This would include continuous upgradation of the study material and addition of some more subjects to be offered as electives. The Institute is also in the process of developing a Corporate Data Bank to help research in the main thrust areas of the CFA Programme and to provide needed information to Corporate Entities and the Investors.

Acknowledgements

I wish to take this opportunity to thank the members and ICFA, USA, for extending enthusiastic support for the development of our Institute. I would like to particularly thank Mr Alfred C Morley, President, ICFA, USA, for the interest he is taking in developing our Institute and a professional cadre of Financial Analysts in India. I would also like to thank my colleagues on the Board, the members of the Academic Council, the various academic experts who are developing the study material and members of the staff of ICFAI for their continued support and help.

Hyderabad, — **Dr. A. Besant C. Raj,**
September 10, 1988 — ***Chairman***

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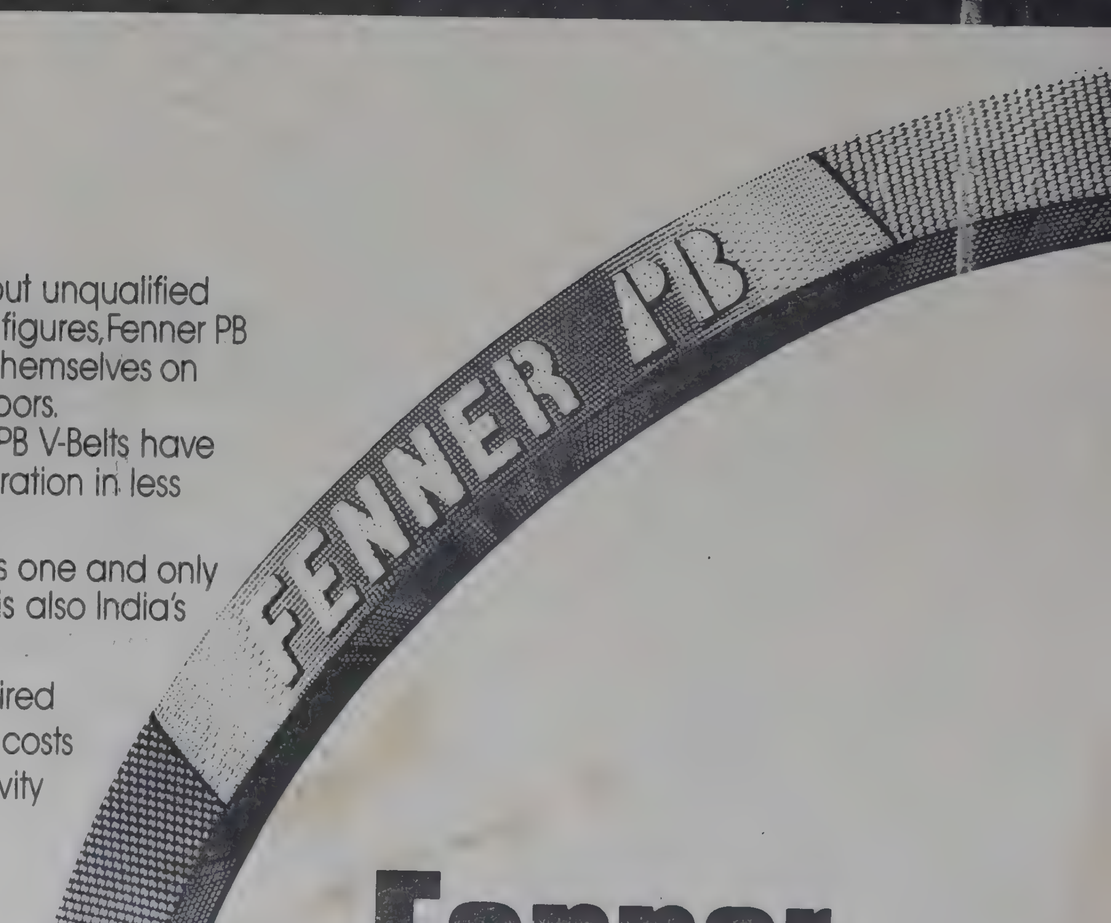

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ost Pepsi fizz

e excuse of the prime ministerial foray to Punjab helped push the Pepsi pro- sal through. The final clearances from e Cabinet Committee on Economic Af- irs came through with a haste that ore significant decisions often deserve t rarely receive. Yet, it would be wrong call the Pepsi decision "hasty" since e project has been in the governmental ringer for several years now. Tough oing for a mere Rs.22-crore investment acked by a pugnacious state govern- ent, a business house and an unstoppa- le multinational. But "hasty" it has been belled already since the Pepsi decision eemed to scramble through with just a day to spare before the prime minister arrived in Punjab.

The few reports that are available of what transpired in the final hearings before Pepsi received its seal of approval suggest that the decision was not exactly unanimously welcomed. At least one minister enquired almost innocently why a Pepsi project was not planned for every state if indeed Tytler's claim of Rs.22 crores generating 20,000 jobs was correct. The sarcasm was lost on the other ministers who lapsed into silence after Tytler's impassioned plea for the project that cynics always insisted was the purpose behind creating his new ministry.

Now that the decision has been taken and Tytler has had his moment of glory on Doordarshan, the government seems relieved that the decision seems to have been accepted rather tamely. But going by all indications, after the present lull is over there are likely to be reactions from elsewhere. Already, firebrand George Fernandes has thundered that "the next government will toss Pepsi out".

Under such circumstances and particularly since Voltas chairman Tobaccowala promises to be "free with information", the Pepsi proposal is expected to be in the public eye for a long time.

There are moves underway to cope with the adverse publicity that may arise because Rajiv's government proved accommodating to a multinational. One is to find an acceptable brand name for the cola that Pepsi may bring to the market before the next elections. The prime minister's office, which seems to have suddenly realised the importance of domestic brand names, is understood to have expressed concern on this front. So, if caution finds expression in action, though Pepsi may be in, the opprobrium of being called a Pepsi Cola government may still be averted.

When's the poll?

For the last few weeks there have been those in the capital who have been speculating about the date of the next general elections. Some believed that the Gandhi government would attempt to seek a new lease of life by marching to the hustings at the start of 1989. That, they claimed, would help limit the damage caused by the series of self-inflicted disasters that this giant majority has been irreparably damaged by.

Now however, the moment seems to have passed. Current thinking in Congress circles is that there is no reason to push elections forward substantially. With the Defamation Bill fiasco barely behind them, party strategists have once again begun the lengthy exercise of surveying the mood of the electorate. This new-found penchant for opinion surveys seems to be gradually taking root in the party organisation. While two recent surveys have shown a decline in the prime minister's personal popularity, the more serious surveys being planned now may address new issues.

Be that as it may, the message from New Delhi seems to be that the next elections may be held only a month or two before they are actually due. In the meantime, there seems to be some understandable hesitation about getting over some by-elections which are now due. Since even the party faithful agree that victory is likely in only one of the seven seats, nobody quite wants to take the risk. But, at least for the moment, solace is sought in the psephologists' thesis that by-elections are not necessarily good pointers to the mood of the nation when a general election is held.

Situations vacant

Should S.S. Nadkarni, chairman of the IDBI, be satisfied with a three-month extension of his term? Can Col Wahi, chairman of ONGC, be overjoyed that he has two months left of his extension? Can giant financial institutions and public sector corporations be run by individuals who are kept in constant insecurity? The answer to each of the above is, of course, a resounding no.

But, does anybody care? The answer, if one were to go by the behaviour of the central government, once again seems to be no. The complaints that a large number of public sector companies are starved of a stable top management seem to consistently fall on deaf ears. The most glaring case, which now shows hints of being resolved is, of course, the top posts at STC and MMTC. While there are rumours that a common chairman may now be named, in this case the reasons for such an appointment seem to be expediency rather than deliberate policy.

The debate over whether STC and MMTC ought to be merged gradually after the initial appointment of a common chairman is now sought to be short-circuited by the proposed appointment. From all available indications in the commerce ministry, the issue of merger or even common management for the two giant trading corporations is a subject that is yet to be resolved. And the current proposal, to appoint B. Ratnakar, formerly of Canara Bank, seems merely an expedient means of using available talent to fill as many gaps simultaneously as possible. While it is true that within the administrative ministry, commerce in this case, control is usually exercised on both organisations by one official, the vexatious problems of inter-organisational relations as well as relations with the ministry are unlikely to be eased unless these basic issues are addressed.

Even if such tricky matters are left unresolved, somebody somewhere will have to take quick action to fill the nearly 38 top management posts in the public sector. Today the public enterprises selection board seems to be both ignored in the advice it renders as well as stymied in its attempts to attract talent. All of which bodes ill not just for the public sector but also for the national budget — which last year had piously promised that public sector losses would cease to be a constant drain on national resources. With the increasing length of the "situations vacant" column, all such hopes may well remain just that.

■ DILIP CHERIAN

OFF THE SHELF

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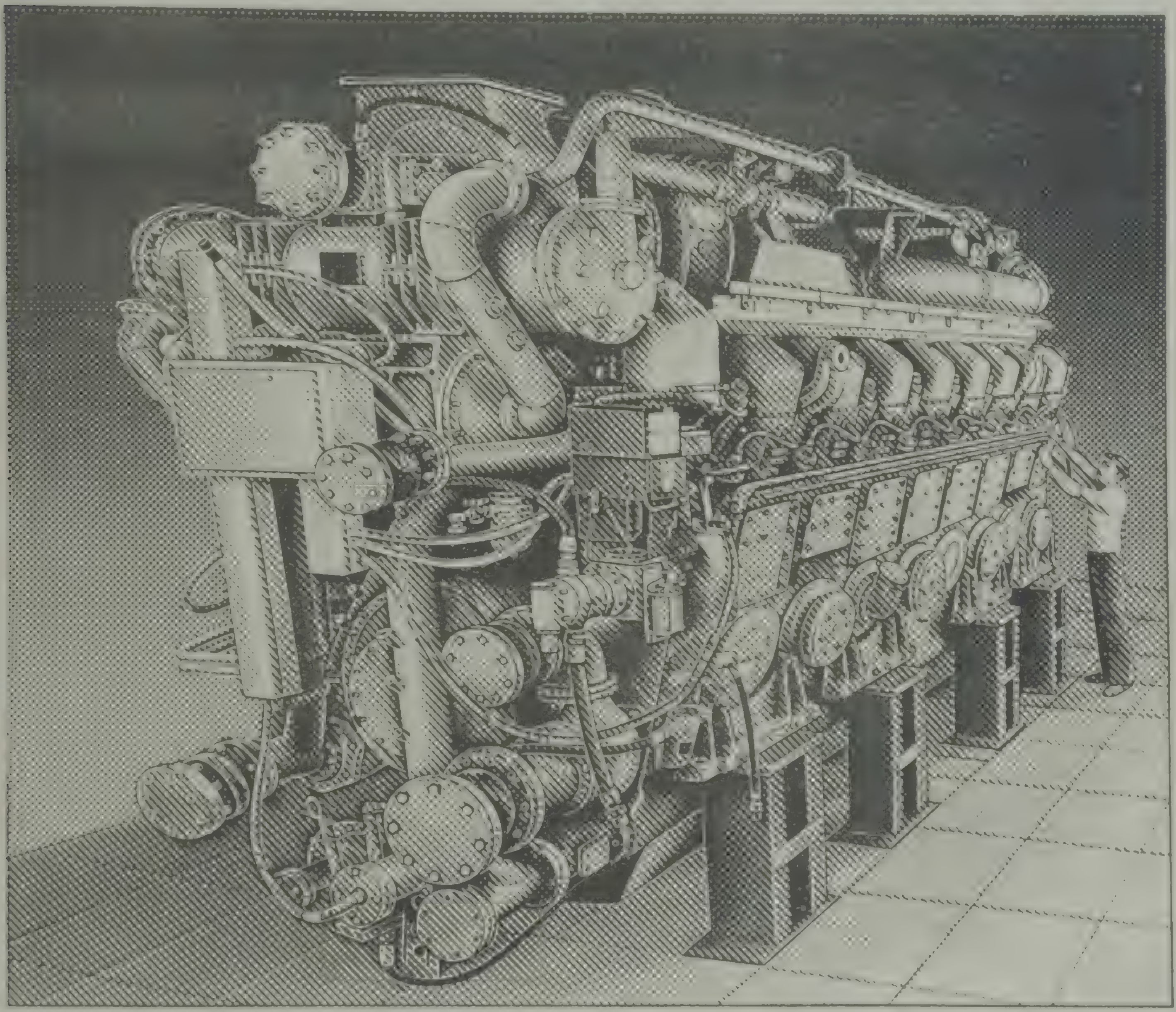

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KIRLOSKAR OIL ENGINES LIMITED

NOTICE

It is hereby notified for the information of the public that Shaw Wallace & Company Limited proposes t make an application to the Central Government in the Department of Company Affairs, New Delhi, under su section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/unit/division. Brief particulars of the proposal are as under:

1.	Name and Address of the Applicant.	**Shaw Wallace & Company Limited** **4 Bankshall Street** **Calcutta 700 001**
2.	Capital Structure of the Applicant Organisation.	**Authorised** **Preference** Rs. 1,00,00,00 **Ordinary** Rs. 39,00,00,00 **Subscribed** **Preference** Rs. 75,00,00 **Ordinary** Rs. 12,00,00,00
3.	Management Structure of the Applicant Organisation indicating the names of the Directors, including the Managing, Wholetime Directors and Manager, if any.	**Mr M R Chhabria, Chairman** **Mr K R Chhabria, Managing Director** **Mr R M Moghe** **Mr A K Das** **Mr B S Mehta** **Dr R S Tarneja** **Mr R S Mama** **Mr M L Bhakta** **Mr B Sanghavi**
4.	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division.	**New Undertaking.**
5.	Location of the new undertaking unit division.	**Place/Town** **Bhankerpur** **Tehsil/Taluk** **Dera-Bassi** **District** **Patiala** **STATE: PUNJAB**
6.	Capital structure of the proposed undertaking.	**Same as in item 2.**
7.	Incase the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:	
	i) Names of goods/articles	**Potable alcohol from non-molasses based raw materials.**
	ii) Proposal licensed capacity	**50,00,000 Bulk Litres per annum.**
	iii) Estimated Annual Turnover	**Rs. 7,56,30,000**
8.	In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value , income, turnover etc.	**NOT APPLICABLE**
9.	Cost of the Project	
10.	Scheme of finance, indicating the amounts to be raised from each source.	**Finance will be arranged partly from internal sources and balance by raising loans.**

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice intimating his views on the proposal and indicating the nature of his interest therein.

S.C. MAJUMDER
SECRETARY &
PRINCIPAL OFFICER

Dated this 6th September, 1988

EAR ADMIRAL
T WADHWANI
td)

SHIPBUILDING

Making it cost-effective

Speaking at a recent seminar organised by the College of Insurance, Vasant J. Sheth, chairman of The Great Eastern Shipping Co. Ltd, said, "A shipyard is a drag on the Indian economy and at best should only serve the purpose of building ships required by the Indian Navy. It would certainly be undesirable either to expand or to continue commercial shipbuilding."

It has been observed that Indian shipowners take every opportunity to publicly decry indigenous shipbuilding efforts, forgetting that their own operational efficiency compared to foreign shipping is also wanting. They have had to repeatedly approach the government to bail them out. An entrenched lobby exists to ensure that ships are acquired from abroad because of the hidden financial advantages in such transactions.

Both the shipping and shipbuilding industries have been a drain on the Indian economy. The net worth of shipping companies as a whole is negative, despite the easy terms loans and fiscal concessions given to develop them. The losses of the shipping industry are much more than those of the shipbuilding industry, and yet the former continues to be given more favoured treatment.

The government of India has sunk over Rs.2,000 crores into mercantile marine shipping with little prospect of earning the necessary returns in the immediate future. The planning group on shipping has estimated that the industry will require Rs.8,000 crores between now and 2000 AD for replacement and expansion. Such outlays can only be accepted in the strategic interest of the country and cannot be justified on economic considerations.

The Industrial Policy Resolutions of 1948 and thereafter have categorised shipbuilding as a Schedule 'A' industry and thus in the priority sector. The founding fathers obviously understood the importance of the shipbuilding industry in the economic and industrial development of a nation. It is not only the direct benefit which accrues from this labour-intensive assembly industry which is important, but also the spinoffs through the development of downstream industries. Unfortunately shipbuilding has been given stepmotherly treatment and the development of shipbuilding ancillaries and supporting industries like power plants, instrumentation, and marine equipment has not been given any attention.

Shipbuilding on the basis of very limited capacity is not cost-effective or practical as it leads to the non-availability of indigenous industrial support. For example, the Cochin Shipyard was set up at a cost of Rs.122 crores for building only one large ship at a time. Further expansion has not been considered and thus the yard's flexibility in shipbuilding has suffered. Such limited capacity also leads to some specialised machines installed at high cost remaining idle for a major portion of the year. In addition, India has practically no design capability for merchant shipbuilding, although a national shipbuilding design centre has been on the anvil since 1972.

When South Korea set up its shipbuilding industry in the late sixties, it developed very big yards with the capacity to build about 4 million DWT annually and repair 20 ships concurrently in one yard. At the same time it set up related industries for the production of steel plates, main engines, diesel alternators, specialised pumps, marine valves, etc. to support the shipbuilding industry so that it got off the mark quickly and did not have to rely on imports except for a few specialised components. Singapore port, which has concentrated on ship repair rather than shipbuilding, has 13 floating dry docks with the capacity to repair 40 ocean-going ships. Thus its repair yards can support one other by catering to specialised facilities. In such a situation, spares, paints etc are available off the shelf and there is no necessity to import them as in India.

Indian shipyards have been losing money because of our unremunerative pricing formula. Ships have to be sold at the international price plus a subsidy of 30 per cent (20 per cent paid by the government and 10 per cent by the buyer). This does not compensate for the cost/price gap (the cost of inputs is more than the IPP), because the Korean and Japanese shipyards are selling ships at marginal cost, with a covert subsidy from the state. The 30 per cent subsidy cannot take care of the conversion cost in the high-cost Indian economy. When ships in India are sold at a loss, working capital has to be obtained at commercial rates leading to a further loss.

The complaint of shipowners is that they have to pay 10 per cent more than the IPP which itself is not the lowest international price of an efficient yard but is the average of the prices in various countries. In a situation where the value of the rupee is falling compared to international currencies, this may still mean that the price paid to an Indian shipyard is less than that to an efficient Far Eastern yard. For example, the value of the yen more than doubled between March 1985 and March 1988. Thus if a vessel had been ordered from a Japanese yard in 1986

The author is
hairman and
managing director of
he Cochin Shipyard

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against an SDFC loan at a cost of Rs.20 crores (2,880 million yen), the contract price of a similar vessel in India would have been about Rs.23 crores. The total cost to the shipowner by the time of delivery in 1988 would be about Rs.26.3 crores (2,880 million yen) for the Japanese vessel and a maximum of Rs.24.6 crores for the Indian vessel. Moreover the interest rate for Indian built vessels is lower.

The position becomes worse if the ship is obtained on deferred credit provided by a foreign bank. There is a case where a shipowner took delivery of a vessel from Japan in 1984, with loan repayment in yen still in progress; as a result the total cost in Indian rupees will be more than double that envisaged at the time of signing the contract in 1981. This is not an isolated case. Even earlier many shipping companies had faced similar problems and the government had instituted SAFAUNS, which indirectly subsidises foreign shipyards at our expense.

A grouse of Indian shipowners is that the period of construction in Indian shipyards is two to three times as long as that of Japanese and Korean shipyards. By the time an Indian shipyard delivers the ship there is a built-in obsolescence in the vessel. They have to pay higher interest on the stage payments made during the longer construction cycle, and some equipment has completed its guarantee period by the time the ship is delivered because of the long storage period in the shipyard. Most of these complaints are justified, but the complaint that the workmanship of Indian-built ships is not as good as that of ships obtained from abroad, can be dismissed; the quality is as good if not better. Complaints about quality standards of construction which are not entertained by foreign shipyards have to be taken note of and attended to in India. Disputes on quality control when the shipowner does not want a vessel due to a changed shipping scenario leads to the hold-up of construction and is one of the reasons for slower construction.

Then there is the question of working capital. In foreign yards the state provides funds through the shipyard for financing ship construction, so that a ship can be sold to any shipowner in the world on a deferred credit basis. In India the financial institution directly provides 90-95 per cent of the funds to our shipowners for either an Indian or a foreign-built ship. As the shipowner's personal stake is very limited, he can and does delay stage payments and thus slows down ship construction, particularly when he is in no hurry to take delivery and has placed an order merely to meet a *pari passu* obligation. To overcome these problems, it is essential that Indian deferred credit should only be for Indian-built ships and routed through the shipyard.

Basically Indian shipyards need to become time conscious. Even if all the equipment is available in the yard, we are not able to match the productivity of foreign countries. The work culture is poor, leading to low production. For this we have to blame equally the worker, the supervising officer, and the management. Complacency, job security, indiscipline, bureaucracy and lack of commitment are some of the reasons for the inefficiency of the public sector, of which the shipbuilding industry is a part.

The need of the hour is therefore to remove all bottlenecks which delay ship construction in India. First of all, productivity must improve through better management and greater dedication from the employees. To improve material availability, as a short-term measure, the import of the requisite equipment should be allowed without the DGTD/DOE clearance. However, long-term efficiency can only be achieved through developing ancillaries and supporting industries in the neighbourhood of the shipyards. If we build faster, we will get more orders and if we get more orders, ancilliary development can take place leading to better material availability. Because shipyards are located far from each other, they should have reasonable capacity to generate ancillaries. Thus a shipyard's infrastructure must be increased even if it needs diversion of capital from other sectors.

Prompted by the world recession in shipping and over-capacity in shipbuilding, the economist will naturally seek justification for the recommended increase in investment. The fact is that India now carries less than 25 per cent of its trade in its own bottoms. Ideally, every maritime nation should carry 50 per cent of its overseas trade and 100 per cent of its coastal traffic in its own ships. Even without taking replacement of our aged ships into account or the need to carry 50 per cent of our traffic, our shipping fleet needs to be expanded by 2 million GRT to meet Seventh Plan targets. It must be realised that what is ordered today will be available only in the Eighth Plan period by which time our shipping needs will increase further.

The question is whether such ships will be built in India or abroad? Most European countries have closed down their shipyards. The Japanese are increasingly turning to high technology industries and consequently they will gradually relinquish their interest in heavy industries like shipbuilding which are labour intensive. If India shows the correct determination and leadership, our shipbuilding industry can certainly become cost-effective. Today our shipping companies procure less than 10 per cent of their requirement from Indian shipyards. Thus the world recession in shipping should not affect the long term development of either Indian shipping or the Indian shipbuilding industry.

BUSINESS IN PUNJAB

Amazing resilience

In the midst of the political uncertainties, the uneasy peace, the frequent disruptions of daily life, the businessman in Punjab hangs on tenaciously. It may not be "business as usual", but trade and industry in the troubled state have managed to show an amazing resilience

"Industry in the Punjab is not buoyant, people are making very hard efforts to keep it alive."
S.S. Barnala, former chief minister of Punjab

"People don't want to lose their lives. They have also to live. So they carry on their normal business and avocation."
J.F. Ribeiro, adviser to the governor, Punjab

"People outside have exaggerated notions of the dangers over there. I see Punjab as an attractive scene of business activity as anywhere else."
L.M. Thapar, industrialist

Last week large areas of Punjab lay under flood waters. It is too early to assess the extent of the damage. Yet everyone believes that Punjab's agriculture, its mainstay, is strong enough to withstand this threat. In fact over the last five years in spite of troubled political conditions, agricultural output has continued to grow. Outside Punjab, many people fail to appreciate that industry too has proved to be remarkably resilient. This is true not only in the relatively trouble-free southern districts, but also in the trouble-prone border districts.

Today, the bazaars of all the towns and cities in Punjab are well stocked again. Shops do brisk business. On the surface life is normal. The larger-than-life presence of the police and para-military forces is, however, a constant reminder that things are far from normal with the state. "Local people have to exist. Therefore they buy their daily requirements. So if you go to any bazaar, you will find things normal," says S.P. Virmani, president of the Punjab Federation of Industry and Commerce.

For prominent businessmen and industrialists in the districts of Amritsar, Gurdaspur, Ferozepur, Kapurthala and Faridkot, however, threatening phone calls and extortion by terrorists have been a common experience. Confides Amritsar-based Ashok Sachdeva, president of the district Rice Millers Association, "Nearly 90 per cent of the rice millers have paid extortion money to the terrorists. The amounts have varied between Rs.2 lakhs and Rs.5 lakhs per mill. Often, truck-loads of paddy and rice have been hijacked. Both Hindus and Sikhs have been targets. Nobody has dared to complain to the police for fear of death. We have not even told our family members."

Sachdeva spends about Rs.2 lakhs a y security. He has 20 security guards in his e to protect family members and the mill w He himself moves about without a bodygu as not to attract attention. His only protecti licensed pistol which, he agrees, has merel chological value and would be of no use soever against a terrorist attack. He esca murderous attack on new year's day.

The situation is, however, not so bad i southern districts. In fact, Amarinder Sing Akali leader, refuses to believe that there has any extortion at all. "There has not been any attack as such on business and industry," he

According to a spokesman for Colgate molive (India) Ltd the country's leading man turer of toothpaste it is business as usu Punjab. The company has not encountered problems in sending its sales force all over state or in distribution. Moreover, in the reg meetings the company has with its sales f selling in Punjab has never been perceived to problem. The company's Young India Proje public service programme for dental care in areas has similarly not been affected. These are echoed by Hindustan Lever, the giant soap detergent manufacturer. Lever has a facto Rajpura, Punjab and maintains a large dist tion network in the state. Company spokes say that sales and distribution have never affected.

Normal life, business, and industrial act have been affected badly over the last few yea Amritsar and Batala, which have faced the b of extremist violence. Amritsar, known fo boisterous people who loved to keep late ni and eat out, bears a deserted look after 7 pm. it is not unusual to see families eating ou dhabas late at night. They accept as a matte fact the BSF patrols on the street.

According to Piara Lal Seth, president, Sh Market Association, the biggest mart for sh and blankets in northern India with an estim turnover of more than Rs.200 crores a year, only have the traders been badly affected by quent bandhs and curfews but they have been main target of terrorist bullets. Says Seth, " recent bomb explosion at Katra Ahluwalia w was the biggest unofficial stock exchang

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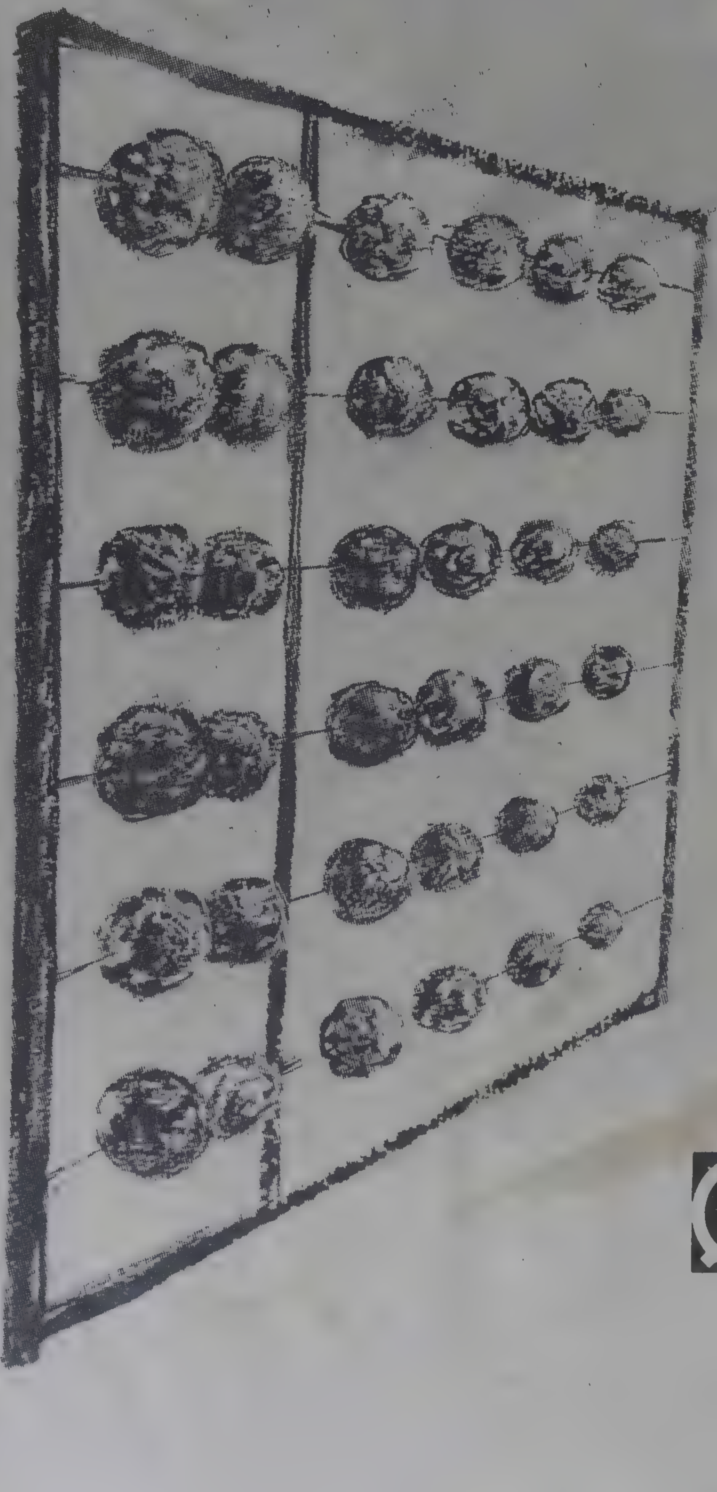

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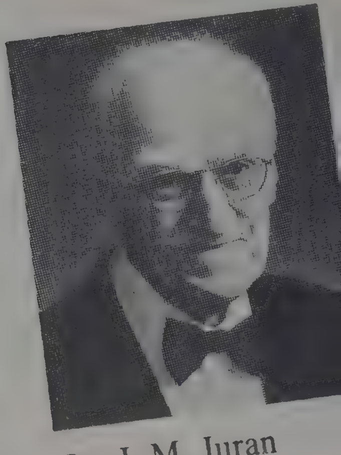

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Dazzal/QC

Amritsar really broke our backs. Nearly 50 brokers died in the explosion with their business secrets. Traders from outside, who till recently used to call themselves our brothers, now demand bank drafts, whereas earlier they were only too eager to give us all the credit we desired."

Mohan Mehra, the biggest trader of green leaf tea in Amritsar, says that more than 60 per cent of the business has been lost to Jammu and Kashmir. Green tea trade in Amritsar is worth around Rs.100 crores per annum. Said Mehra: "If you get a buyer, it is very difficult to get a good price and if you get a good price, it is very difficult to get payment in time."

Not only have traders and dealers from outside stopped coming to Punjab but business transactions with villages have been reduced to the absolute minimum. Wholesalers are afraid to go to the village to collect their dues from village traders and shopkeepers. Says Rajesh Bajaj, distributor of Racold Electrical Appliances and Televista TV sets, "Our sales are down by at least 50 per cent. Earlier, we used to give liberal credit to villagers. Now the question does not arise. However, we still give credit to our urban customers," he says.

An immediate effect of extremist violence in Amritsar and other industrial and business centres was that credit disappeared from a market where private finance had always played a critical role. As Seth points out, it was normal for the urban and rural rich to invest in Amritsar's trade, when money went abegging at 1 per cent per month. Today, credit is not available at even two-and-a-half per cent per month. "The normal market channels have got disrupted," concedes A.S. Chatha, industry secretary of the Punjab government. Earlier, outsiders used to sell raw materials to the Punjab industrialists on credit and buy goods in cash. Now raw material has got to be obtained against cash and goods sold on credit. The result is an acute scarcity of working capital.

Says Narinder Kumar Jain, managing partner, Jaykay Fabrics, Amritsar, "At any given time, we used to have Rs.1 crore of advance credit with us. It is now down to zero. Money was easily available at 18 per cent per annum. Today, even at 30 percent, it is not forthcoming."

INSTITUTIONAL CREDIT

The banks have made some attempt to fill the credit void. The Reserve Bank announced a package of concessions, relating to increases in working capital limits by 50 per cent, reduction in margins and bank charges. However, the experience of some of the industrial units with the banks has been quite frustrating. Says Piara Singh, managing director of Auto Piston Manufacturing Company, Amritsar, "We had applied for a working capital term loan of Rs.25 lakhs in September 1987. Till date, not a single paisa has been forthcoming though the bank has agreed to pay in principle." Piara Singh's production is down by more than 50 per cent. Last year his company suffered a loss — for the first time since its inception in 1958. Says Jain, "It is the duty of the government to provide an environment in which I can exist and, if it fails to do so, it does not have any right to recover any taxes from me." According to him, not more than 20 per cent of the credit gap has been filled by the banks

Yet, in spite of these unsettled conditions, the total advances of the banks in the state have increased by 14.33 per cent, from Rs.2,463 crores in the year ended December 1986 to Rs.2,817 crores in the year ended December 1987. Deposits have grown from Rs.5,407 crores to Rs.6,484 crores in the same period. Recovery was 55 per cent.

Funds from financial institutions have also come in substantial quantities. An uptrend is noticeable from 1985, an indicator of the creation of fixed assets. The Industrial Development Bank of India (IDBI) is treating the entire state as a backward area. Its funding shot up to Rs.155 crores during 1986-87 from about Rs.79 crores in the previous year. The Industrial Finance Corporation of India's (IFCI) lending also went up from Rs.15 crores in 1984-85 to nearly Rs.45 crores in 1986-87. Loan sanctions shot up from Rs.10.55 crores in 1984-85 to Rs.63.62 crores in 1987-88, disbursements from Rs.10.66 crores to Rs.37.56 crores. S.K. Tuteja, managing director, Punjab State Industrial Development Corporation (PSIDC), feels that "investment decisions here are not solely guided by law and order problems". He has a target of Rs.1,000 crores of investment in the state in the next three years.

Spearheading the state government's "lure investment drive", is the Punjab State Industrial Development Corporation, which offers an attractive package of services right from identifying a suitable project and procuring a letter of intent to extending a term loan upto Rs.90 lakhs and even participating in equity. It also extends seed capital up to Rs.15 lakhs on behalf of the IDBI and a term loan of upto Rs.100 lakhs for the expansion or diversification of existing ventures. (The last scheme has only recently been introduced under the label of IDBI equipment refinance plan.)

Then, there is the Punjab Financial Corporation which takes care of the needs of the small and medium units and the Punjab Small Industries and Export Corporation, which provides multi-faceted services — from developing and giving plots on a "no profit no loss" basis to budding entrepreneurs, undertaking procurement of raw materials, and finding marketing outlets at home and abroad.

These claims of the government agencies are borne out by S.L. Srivastava, former chairman of PSIDC, who points out that none of PSIDC's joint sector partners has pulled out. In the past five years the

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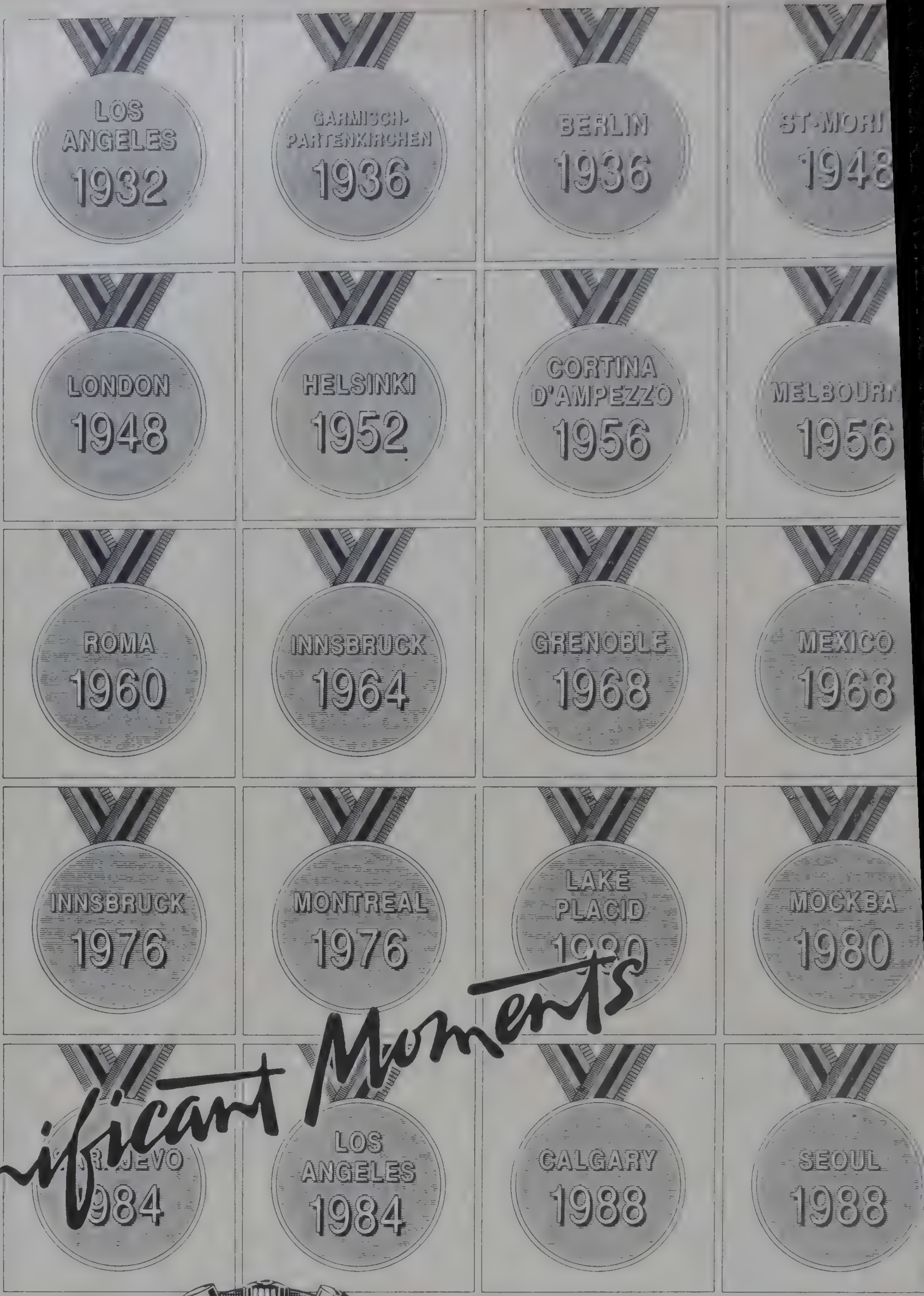
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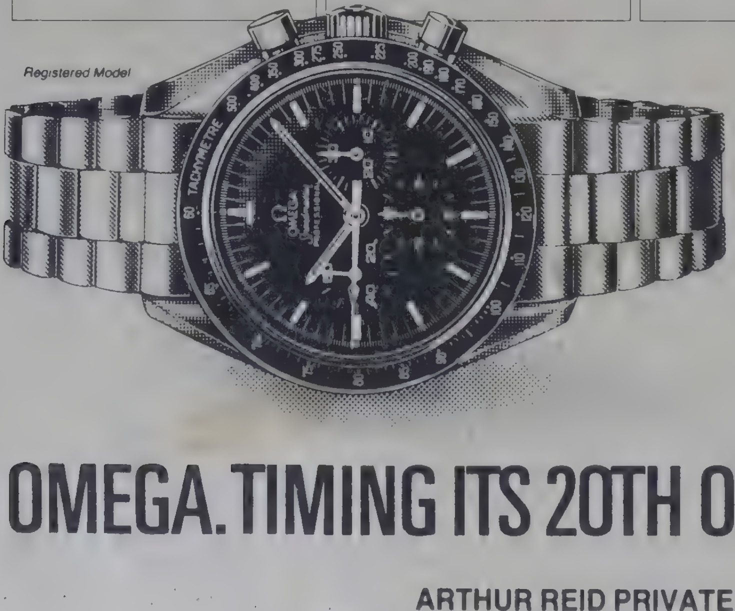

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orporation has implemented some of its rgest projects worth Rs.120-125 crores ach compared with Rs.5-6 crores earlier. mongst the major projects are: a Rs.80-rore picture tube project with JCT; a s.120-crore polyester project, also with CT; a Rs.120-crore acrylic fibre project ith R.P. Garg of Steel Strips; the Rs.70-ore Oswal-Agro project in Sangrur dis- ict; and soda ash and caustic soda pro- ects totalling Rs.100 crores in Nangal. And yet, if we tell people there are no ifficulties, they are just not willing to elieve us," says Srivastava.

The state government's data on reve- ue accruals show a buoyant trend. The growth in revenue collection was 22 per ent in 1985-86, 18 per cent in 1986-87 nd 15 per cent in 1987-88. The growth ate in sales tax which remained constant at 18 per cent for some years, touched 22 per cent in 1987-88. However, according to a prominent industrialist with operations in the border districts, sales tax is not a correct index and gives a distorted picture because of the ad valorem arrangement of prices. "The turnover has not increased, only the value has gone up because of the price rise."

Bank security however, continues to be a serious problem. Says S.K. Uppal, zonal manager, Punjab National Bank, "Unless there is a proper environment of security, banks cannot function effectively. The mobility of our business staff is restricted."

The plight of hoteliers in the state has been pitiable. Investments in construction and buildings made before 1983 are now locked up with little hope of recovery in the immediate future. Mohan International, the only four-star hotel in Amritsar, started business on 13 April 1982, with 96 rooms, but, ended up by furnishing only 39 rooms. Says Sanjay Galhotra, executive, administration, "Our occupancy rate is barely touching 30 to 40 per cent. On days when the law and order situation is bad, the only people we have are some foreign journalists and a few chaps from leading Indian magazines." The hotel is now relying on food sales to keep it going.

Construction activity too has come to a halt. Says Anil Chawla, a leading architect in Amritsar, "I was working almost 18 hours a day before the trouble started. Today I am absolutely idle. Business is down to zero." Yet land prices in Chandigarh, Ludhiana and other parts of the state are their highest ever; though it is true that there are relatively few deals.

Taxi operators, who were flourishing in

The PM laying the foundation stone for Punjab Agro Newsprint Plant in Amritsar

"Our industrialists are very hard working"

Interview with **Surjit Singh Barnala**, *former Akali chief minister of Punjab.*

What is the status of industry and business in Punjab today? How has terrorism affected economic activity?
People are making very hard efforts to keep it alive and well. Our industrialists — small, medium and large — are very hard working. They are also good technocrats and engineers.

This year, migrant labour from Bihar and Uttar Pradesh has been very shy of coming because of some incidents of killings. The reduced inflow of labour will affect both industry and agriculture as the wages will go up, thereby, pushing up the cost of production. Businessmen from outside are also reluctant to come here.

Did any cases of flight of capital from the state come to your notice during your chief ministership?
There has been some flight of capital in the sense that a few people have set up another unit elsewhere. Similarly, soon after 1984, there was a visible trend of Sikhs from outside coming back. Some of them left when things improved outside. During the Akali regime, we directly approached industrial houses to invest in the state. I personally requested the Thapars, Modis and Tatas to come to Punjab. They agreed despite the unstable conditions.

With the imposition of President's rule very little is being done in this regard. Punjab needs large industry, both in public and private sector. Compared to other states, the central government has been giving step-motherly treatment to Punjab in the matter of public sector investment which is essential for tackling the problem of unemployment.

What is your answer to terrorism?
Rural educated unemployment is one of the basic reasons for extremist activity. There are a large number of boys who have strayed but are willing to return to the mainstream.

Our people are still the best fighters. Their recruitment to the para military and armed forces has been reduced to a negligible level. So, naturally, they feel unwanted and frustrated. Take them away from here if you like, but recruit them. The only method being adopted is bullet for bullet, which has not succeeded.

the city of the Golden Temple, making on an average Rs.6,500 per month per vehicle, are giving up their once lucrative business. Before Operation Bluestar, 50 taxis used to ply from Amritsar airport. Now the number is down to 18. Truckers too now avoid the trouble spots. They tend to bypass towns like Amritsar and Batala. The availability of trucks has decreased and charges have shot up.

Says Chittaranjan Dass, secretary general, All India Motor Transport Congress: "As the situation worsened from 1981 onwards, it created a sort of panic among outsiders. Direct sales to Punjab consignees nosedived. This resulted in a drastic cut in transportation by road to Punjab by about 20 to 25 per cent." Another transporter from Delhi points out, "The greater the distance from Punjab, the greater is the panic. Business from Delhi has not been affected because people there know that the situation is not so bad. It is only in Ahmedabad and Bombay, where uncertainty is greater and people hesitate to do business with Punjab, that transportation has been adversely affected."

Speaking to a cross-section of people, it becomes evident that trade and industry are suffering not so much on account of actual events in Punjab as because of the fear and uncertainty in the minds of people outside the state. Indeed, the Punjab businessman is paying a very heavy price for the rampant misinformation and disinformation.

Points out V.N. Ojha, managing director, Punjab Small Industries and Export Corporation (PSIEC), "An established London-based importer of cycle parts, failed to turn up at Chandigarh on the appointed day. On the telephone later, he told us that somebody in the Indian High Commission had advised him against proceeding to Chandigarh for reasons of personal safety. Our own people are spreading such stories." Ojha has had a tough time convincing businessmen in Bangladesh, where he had led an export delegation in June last, that they could safely do business with Punjab.

Semiconductors complex Mohali: into the hi-tech age

The hosiery and textile industry with regular and committed export channels,

like the Soviet Union, has not s
Small units, which do not have
sources to go out and sell, are fa
brunt, says Shripal Oswal, chai
Vardhman, Mahavir Mills and M
dustries.

"Newspapers want to increas
and exaggerate news to boost the
one businessman. The distincti
ween crimes and terrorist crimes
made. The state home departme
issued strict instructions to poli
cers to carefully sift available evid
determine whether a crime is te
related or not.

Says Virendra Mohan, managing
tor of Semiconductor Comple
"There has been more growth in t
three years than in the 15 years b
He points out that lots of compani
Thapars, Swaraj Mazda, ESPL have
in. He adds that the government su
is total. "The atmosphere is very
once you get over the psychologica
rier of entering a disturbed state
adds with equanimity.

Even so, for outsiders, Punjab is
avoided. The logic is simple: why risk
life at all when business can be
safely and profitably elsewhere. The
victim of this reasoning has been Ba
where the 2,000 odd industrial uni
mostly foundry, engineering and ma
tools — with a turnover in exce
Rs.200 crores have a tough time
sales. Batala along with Amritsar i
worst affected in the state. The
government of S.S. Barnala had to
cially open a showroom in Delh
Batala units. Says Ashwani Sekhri, p
dent of the Foundrymen Associati
Batala, "Prior to 1982, a customer us
come for booking an order, pay an
vance of up to 25 per cent, then
delivery by making full payment on
spot. Now 95 per cent of the custo
have stopped coming. We have to
them to book orders. They now want
their price and impose all sorts of u
sonable conditions." Sekhri, who is
the local MLA and chairman of the
jab Steel Corporation, says he s
Rs.50,000 last year just on travellin
booking orders. His production, how
has actually increased from Rs.25 l
in 1982 to Rs.1.25 crores last year.

According to Sekhri, the inhe
strength of Batala's foundry industry
enabled it to face stiff competition
spite great odds. Batala units ope
with only one shift whereas earlier
were functioning 24 hours. Indeed, it

P. S. Badal former Punjab CM launching Swaraj Tractors: happier times

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"Go after them relentlessly"

Interview with **J.F. Ribeiro,** *advisor to the governor, Punjab.*

Has business and industrial activity in Punjab been significantly affected?
Life in general has not been affected because people have got used to it. They know it is going to be a very long fight. The law abiding citizens are shocked and alarmed by the peculiar phenomenon of innocent killings. They also have to live, so they carry on their normal daily business and avocation.

Will it help if the central government pumps in a lot of investment in the next two to three years to generate large-scale employment?
It will certainly help. Unemployment is one of the big sources of fuel for the separatist movement.

Can industry help contain terrorism in any manner?
Yes, it can. If there is big industry and people are organised in that form, fundamentalism will decrease considerably.

Can you spell out in brief, what shape government policy is going to take in the immediate future?
This is a case of classical terrorism. And, there is only a classical answer to it. The killers are not going to come around, no matter what you do. So you should go after them relentlessly.

As for the rest majority of the people, they will have to be dealt with on the economic and political plane. Eventually, every solution will have to be political.

What kind of political solution do you have in mind?
There is a great advantage in the restoration of the electoral process. To start with, we can have municipal elections. At one stage, we thought of doing it last year. We were prepared, the police was also prepared for it. But political parties felt it was not the opportune time for it. We would like to do it quickly. It is very important to have the political process going on.

to the credit of the Batala industrialist and his determination to carry on that not a single one has shifted or closed shop. As Sekhri puts it, "In Batala an entrepreneur doubles up as a chowkidar, a labourer and an overseer as and when the need arises." "Only one big unit, BECO of the Mukand Iron and Steel Company, has downed shutters. Said Sekhri, "They were Bombay-based and outsiders and so did not have the grit to carry on."

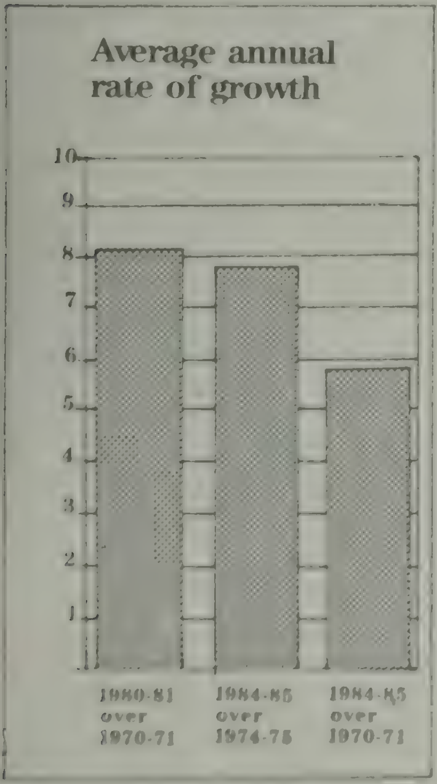
According to Sekhri, both migrant labourers as well as local skilled employees have co-operated very well in the hour of crisis. There has not been any noticeable flight of labour from Batala though some *bhaiyas* have left Amritsar.

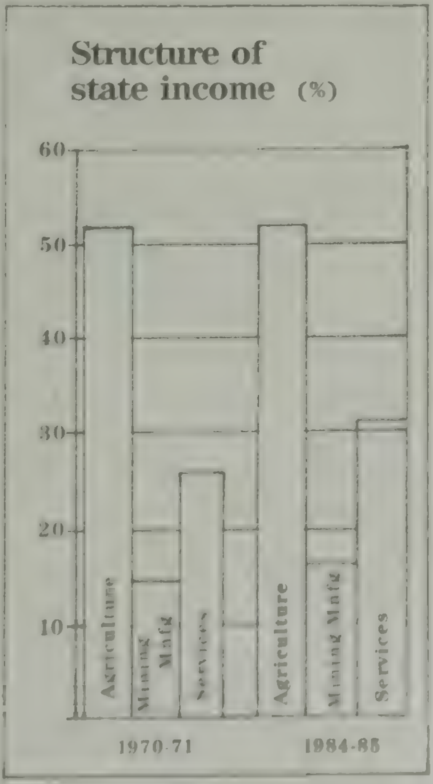
The migration of the *bhaiyas* of Bihar and Uttar Pradesh, set in motion by the killings at the Sutlej/Yamuna link canal, has become a serious problem for industrialists, agriculturists and government officials alike. Said Chatah: "We are really worried. Many areas are heavily dependent on migrant labour." Sachdeva, for instance, is facing an acute labour shortage in Amritsar. He had between 1,200 and 1,500 *bhaiyas* earlier; now he has to make do with only about 700. Says J.L. Srivastava, labour secretary of the Punjab government, "Migrant labour is playing a very important role. If they disappear, the worst affected would be the brick kiln and construction industries."

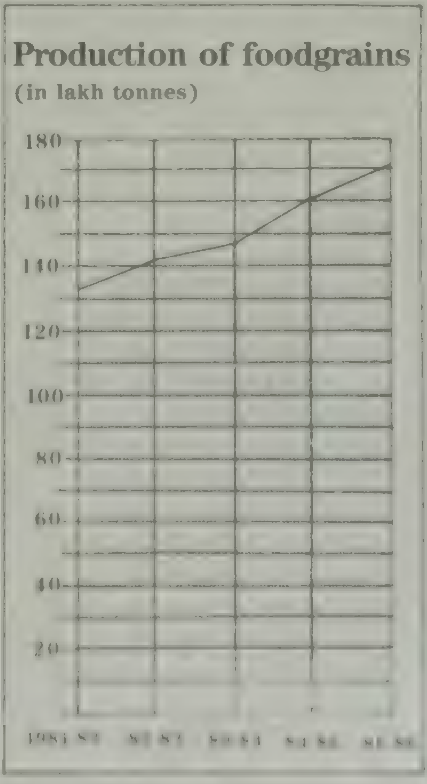
Growth in certain high-tech industries has also been stunted because of the acute scarcity of experts. Says Mohan, "Bright young people are reluctant to come to Punjab. They feel that bullets are flying all over the place. Induction of top executives is also very difficult."

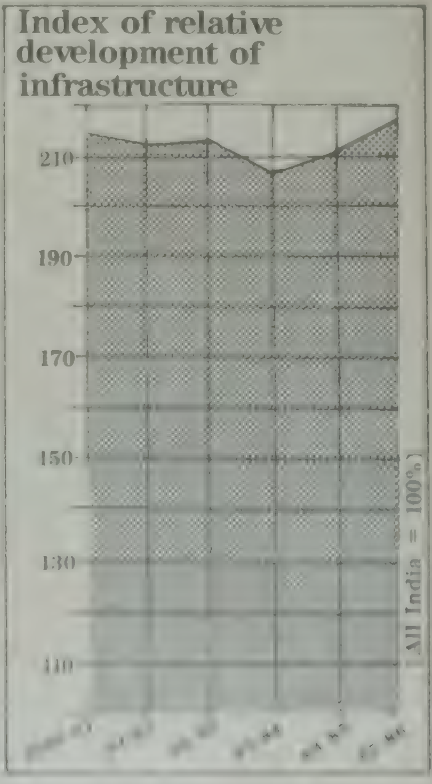
Laments Sripal Oswal: "We had to resort to overmanning by five to six per cent to maintain a standby arrangement because getting a replacement in Punjab is very difficult. This has pushed up our operating costs. People here are under pressure from their families to leave." He adds, however, "We are living in Punjab and acclimatised to the situation."

Amritsar's entrepreneurs too are a de-


Average annual rate of growth


Structure of state income (%)


Production of foodgrains (in lakh tonnes)


Index of relative development of infrastructure

termined lot, prepared to take risks, according to H.S. Makhini, secretary, Textile Manufacturers Association. "They have faced partition, two wars and have not only survived but prospered. But the government must come up with supportive measures," he says.

Contrary to normal belief and expectation, there has not been any noticeable flight of capital from the state. But then neither has there been much investment in the trouble-prone areas. It is a mixed scenario. In the border district of Gurdaspur, the rural areas of Amritsar, Ferozepur, Faridkot, and parts of Kapurthala, where extremist activity is at its height, hardly any fresh investment has taken place. However, in the districts of Ropar, Hoshiarpur, Patiala, Sangrur and Ludhiana, fresh investment and expansion of existing units is noticeable. The troubled districts offer a 25 per cent capital subsidy, 15 per cent by the state government and 10 per cent by the centre which has declared them 'C' category backward areas. As Chatha points out, "Power is available freely. There is a continuous, 24-hour supply. In addition Punjab has a distinct advantage because of a highly developed work culture. Even so, as J.S. Varshneya, chairman of Punjab National Bank, puts it. "People are following a cautious policy."

Says R.C. Oswal of the Oswal group of companies, "We have a high stake in Punjab. But I think we should go slow on investment. If there is new business outside, we may be prepared to take it up. All the eggs should not be put in one basket."

A similar view was expressed by Om Prakash, managing director of Ralson (India) Ltd, who felt it would be wise to spread out operations and diversify in other states. Yet often industrial houses want to set up in more than one state, not because of disturbances but because of other considerations.

DIFFERING PERCEPTIONS

L. M. Thapar, whose group has pumped in nearly Rs.150 crores in the past three years, says, "In the matter of investment, we don't favour Punjab nor do we disfavour it. Its problems are compensated by the fact that it has enough power, a highly skilled labour force, is a very prosperous part of the country and, therefore, forms a natural, rich market for a lot of products you might wish to make."

Piara Singh is unhappy at the state government's policy of attracting new investments. "The government is giving all sorts of incentives to the new units. What about the old ones?" Asks S.K. Bijlani, MD, Molins India Ltd, "Are we going to keep on increasing the number of units or industrial focal points, given the present inadequate infrastructure and the fact that barely 50 per cent of the potential of existing units has been utilised?"

Obviously, with these unsettled conditions it is not surprising that even within the same areas and within similar industries perceptions differ. Also many are reluctant to talk openly. Certainly a larger number of private sector businessmen are less sanguine. However, government and public sector officials uniformly express greater confidence.

At this critical juncture, when Punjab's industry and business are strugg
keep up the tempo of growth, th
sensus is that a massive dose of
ment, public and private, will prov
state's economy the much-needed
tus to generate jobs on a large sc

Says Amarinder Singh, "The g
ment must force big industrial hou
invest in Punjab. They must be told
they want to expand anywhere else
country, they must first set up a pl
Punjab." The unemployment ra
creased from 4.4 per cent in 1982
per cent in 1984 and 12.4 per cent in
Says Kapur, "Our basic target shou
to check fresh recruitment to ter
ranks which can be done by prov
gainful employment to the youth. U
ployed youth are good material for te
ists to recruit." According to Amar
Singh, Punjab adds about 170,000 yo
every year to the ranks of the u
ployed. The trouble in the state start
1983. So in five years nearly one mi
educated youth are more or less idle.
much easy money is being thrown ar
in Punjab. The nexus of smugg
Khalistanis, heroin and dope pushers
corrupted the youth," says Thapar.

In the midst of the political uncer
ties, the uneasy peace, and the freq
disruptions of daily life, businessme
Punjab hang on tenaciously. As on
them sums it up: "Asi to thatariya
kabutar ban gayan hein" (we are
pigeons who roost on the roofs of ute
makers) And have learnt to live with
din and the clutter.

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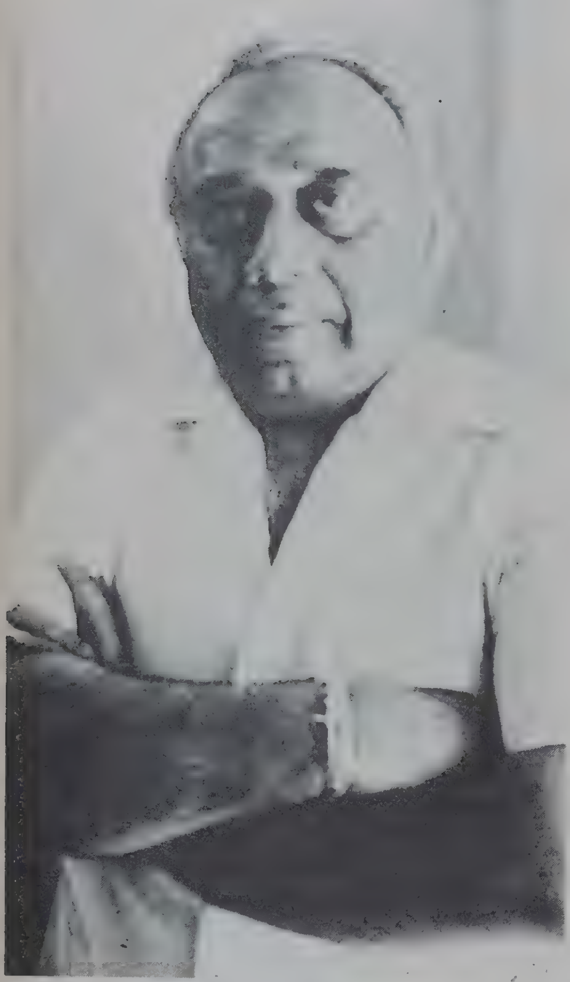
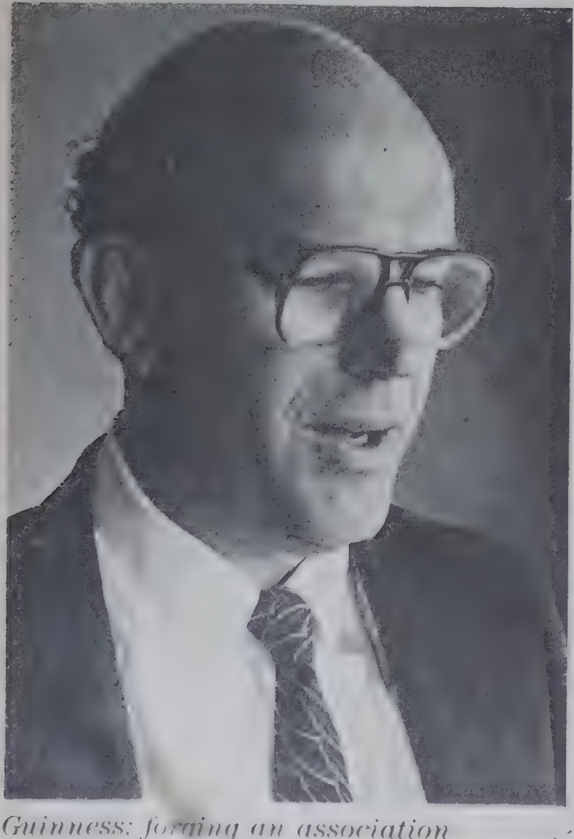
RPG ENTERPRISES

Back in the takeover ga

With Dunlop India slipping out of the fold, the RPG Enterprises group appears to be back in the takeover race after a lapse of two years. Last month, in quick succession, the group formed "strategic alliances" with foreign equity holders in ICIM and Harrisons Malayalam. And corpor watchers expect more such "marriages" in the next few months



Goenka: back in the game



Guinness: forging an association

Soon after the Goenkas of Duncan Brothers parted ways in 1979, Rama Prasad Goenka (RPG), the eldest, emerged as a master of the takeover game. With the first scent of corporate prey — any company in which the foreign owners had lost interest or where there was a family dispute or bad management — he'd be there. But for the last two years, the formidable corporate hunter appeared to have settled down. He told *Business India* in 1986, "The days of takeover are over. Somehow, the present government dislikes takeovers." Possibly a reference to V.P. Singh's finance ministry.

But the takeover scene today is more exciting than ever before. And RPG is back in the game with a vengeance, despite his ill health. Last month, he pulled off two major coups: "strategic alliances" with International Computers Indian Manufacture Ltd (ICIM) and Harrisons Malayalam Ltd (HML). And he is believed to be hotly pursuing other potential takeover targets such as IEL Ltd (the chemicals conglomerate owned by ICI of UK) and Kothari General Foods (KGF — a joint venture between General Foods of USA and the D.C. Kothari group of Madras).

TIME FOR CONSOLIDATION

Around 1986, after having taken over five companies in as many years, the RPG group seemed to have decided to consolidate its gains and project a group identity. There was also the Haldia Petrochemicals project, that kept RPG's hands full. Thus, RPG was not in the running for the prestigious Chloride India and Ashok Leyland bids last year. More significantly, the group was shaken by the intensifying feud with the Chhabria brothers, Manu and Kishore, who helped RPG bag his biggest prize, Dunlop India, four years ago.

By all accounts, a deal was struck last July whereby the Goenkas agreed to sell their stake in Dunlop to the Chhabrias for a fancy price. (Knowledgeable sources believe this to be around pounds sterling 37 million, though there is no w figure can be confirmed.)

The group's resurgence of inte takeovers is not really surprising First, with Dunlop slipping out fold, the just-born RPG Enterprises shrinks in size roughly by half. Goenkas must be more than keen t pensate for this loss as quickly a can. Second, the pile of money rece consideration for the Dunlop stake mean that cash for acquisitions is a problem. And third, Dunlop w quired for younger son Sanjiv Goe give him a "metropolitan base" sim that of elder son Harsh at Ceat in bay. RPG must now be keen to such a base to his younger son earliest. Already there is talk of s Sanjiv to Bangalore from where he oversee the operations of not only but also older group companie Asian Cables.

Whatever may be the compulsion have propelled RPG back into the over game, the interesting feature i the ICIM and HML deals is the con "strategic alliance". Unlike the earl quisitions, where the Goenkas had plete control over corporate oper despite minority shareholdings, the new deal they are expected to plement and work in tandem with overseas partners.

In the case of ICIM, with who alliance is currently being finalise parent company, International puters Ltd (ICL) of UK, will conti hold a 40 per cent stake. The Goenk be helped to acquire around 10 pe of the Rs.4.14-crore equity of the co by way of a private placement of sha a rights issue in which resident friends and associates would ren their rights in favour of the Go Market purchases could also be m some extent either from the instit (which hold 27 per cent of ICIM's e or from the public (33 per cent).

Under ICIM's articles of associati has the power to appoint the chief tive and three directors on the bo ong as it owns a 40 per cent stake. And since ICL has no intention of reducing its take, it would continue to enjoy this right. Thus, the Goenkas could be in a weak position in the alliance, unless this condition is altered.

As is well known, ICIM has gradually been losing its pre-eminent position in the computer market ever since the new computer policy of 1986 was announced: it lost its No.1 slot to HCL last year. The personal computers (PCs) business has been booming, but ICIM's product range is limited to minis and mainframes. It did venture out with a PC in 1986, but it was priced 30 per cent higher than the competition. In the mainframes and minis business too, ICIM has lost out to the public sector ECIL which enjoys a price preference from the major buyer of such systems, the government. This is despite the introduction of new products such as Series 39 mainframes.

In short, ICIM has failed miserably on two counts: production costs and management. Today, the company is rapidly losing market share and faces a severe working capital crunch. Between January and June this year, the company lost Rs.3 crores on modest sales of Rs.14 crores. It went off the dividend list in 1987.

With the induction of the Goenkas in local management, ICL expects to strengthen that area. Apart from equity, the Goenkas are expected to put in fresh funds in the form of inter-corporate advances (Rs.3 to 4 crores). Their connections in industry and government could also translate into more orders for ICIM. And the assured backing of a well known local business house is expected to dilute ICIM's FERA image and facilitate a greater flow of credit to meet working capital requirement.

QUICK ENTRY

For the Goenkas, it means a quick, overnight entry into the exciting field of computers and electronics. "We have identified electronics as a major thrust area," says Harsh Goenka, chairman, RPG Enterprises, "so working with ICL fits into our plans." The RPG group already has some presence in electronics, though not in computers, with Murphy India and Gramophone Co (audio products) and Norplex Oak (PCBs, electronic components). Murphy could place orders on ICIM for electro-mechanical components for which it has idle capacity, while Norplex Oak could supply it electronic components. A renewed entry into the fast growing PC market can also not be ruled out.

HML, unlike ICIM, has an excellent track record; it has raked in good profits since inception. It has never paid dividend at less than 25 per cent. Last year, it earned a gross profit of Rs.12.15 crores on sales of Rs.65.29 crores. The company continues to perform well even though no major investments have been made for many years. This is because natural rubber — its major product — is in short supply. And the strong presence in tea has helped stabilise income.

Anthony Guinness — from an established Irish business family, and settled in Australia with interests in agriculture and consultancy services — clinched a deal last month with Malayalam Plantations (Holdings) plc of UK to buy the latter's 36.9 per cent stake in HML (reportedly for pounds sterling 12 million in competition against the omnipresent Chhabrias and Hindujas). He then sounded out Standard Chartered Bank to find him a suitable local partner in India. "I am completely new to India," says Guinness, "so I was keen to form an association with an Indian family business house." Talking about his long term view of HML, he says, "These estates are excellent but they need to be modernised." As the output increases, the emphasis will be on converting it into higher value products like latex, packaged tea, and so on, he adds.

This is where the Goenkas fit in. Their group has a strong presence in tyres and rubber products (Ceat, and Dunlop too until now) and good experience in managing tea plantations and agro-based industries like jute, textiles and tobacco in the days of Duncan Brothers.

Conceivably, the Goenkas would now have a stable, reliable source of rubber for their tyre operations. There are frequent shortages of natural rubber in the country, its price is volatile and tyre manufacturers are often badly hit. Already, the group owns Phillips Carbon Black (set up in 1963) which supplies yet another key material for tyre manufacture.

Says Harsh Goenka, "We will start off as associates in HML and look after its day-to-day operations. As the association grows, we will acquire an equity stake." Guinness echoes this, "The equity sharing can be worked out in due course. It is more important to forge a relationship of trust and confidence first." In all likelihood, the Goenkas will acquire a minority stake, at least to begin with. Over 45 per cent of HML's equity of Rs.9.10 crores is held by the public. The balance is with Guinness (36.9 per cent, held by his Ambledown Investments), institutions and banks (over 6 per cent), corporate bodies (around 8 per cent). So, market purchases may play an important role in the share acquisition by the Goenkas. Currently, the HML equity is quoting at around Rs.60 and a 10 per cent stake could cost upward of Rs.5.5 crores.

H. Goenka: "ICL fits our plans"

Many corporate observers wonder how these nice-sounding "strategic alliances"of the Goenkas will work out in practice. "Joint management" of Dunlop with the Chhabrias has just not worked. Sources close to the Goenkas also question younger son Sanjiv's "business maturity" and his ability to work with foreign companies in a formal and autonomous manner.

BACK WITH A VIGOUR

Be that as it may, the Goenkas are now back in the takeover game with renewed vigour. The financial grapevine is abuzz with talk of IEL and KGF being next on the hit list. Both P.E.G. Daubney of IEL and D.C. Kothari of KGF have denied plans to sell out, but corporate circles are not convinced. KGF is in the fast growing (and now high priority) area of processed foods and the Goenkas are interested in getting a foothold there. However, dried coffee is KGF's major product and with established brands like Nescafe and Brew in the market, the going is not going to be easy.

Undoubtedly, RPG today appears to be in a great hurry to ensure that there is no loss in the group's growth momentum, after the recent setbacks in Dunlop and Haldia Petrochemicals; and in the process, also giving each of his sons, Harsh and Sanjiv, enough room to spread wings.

■ MUKARRAM BHAGAT

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WASTIK SURFACTANTS

Staking its claim

fter a three-year chase, two relatively unknown Bombay businessmen ook over the ailing Swastik Surfactants Ltd in August this year, utbidding big-timers such as Manu Chhabria, the Mafatlals, Godrej oaps and Nirma, among others. Armed with strong brands such as wastik Shikakai, Det, Genteel and Max Factor, the duo hopes to recover ost consumer franchise

fter three years of being virtually tarved of working capital and manage-nent direction, the Sarabhai group's wastik Surfactants Ltd (SSL) — formerly Sarabhai Surfactants Ltd — is now itching for lost ground, under a new nanagement. Nitin Jobanputra and Satsh Bhangar, two young and relatively nknown Bombay-based businessmen, who have bought 97 per cent of SSL's quity capital from the Sarabhais for Rs.1 rore, hope to turn around the ailing ompany in a year's time.

"The market is craving for SSL's prodicts," says Bhangar, referring to one-time rand leaders such as Swastik Shikakai air care soap, Det detergent cake and owder, Genteel liquid detergent, and the Max factor range of cosmetics, among thers. Barely two months after taking ver the reins of the company, the new nanagement has restarted production at wo of the six plants, raking in a turnover f nearly Rs.2 crores. In comparison, the urnover in 1986-87 was Rs.4.19 crores while in 1987-88 it barely amounted to Rs.1.5 crores.

A VINDICATION

For the 35-year-old Bhangar, who has interests in electric motors, pumping sets and construction, SSL's good start is a vindication of his belief that the company's "gold mine of brands" can see it back to health.

Bhangar had relentlessly made a bid for the company since the Sarabhais made it known that they wanted to sell it off but his proposal was sidelined. Not surprising, considering that several big names in Indian industry were in the race — Manu Chhabria, the Mafatlals, Godrej Soaps, Nirma, Colgate-Palmolive, Tomco, Hindustan Lever, Procter & Gamble (then Richardson Hindustan), and the Nath group, among others. "We were last on their list of suitors," says Bhangar; M.N. Parikh, former chairman of SSL and currently director of Ambalal Sarabhai Enterprises Ltd (ASE), does not disagree.

Bhangar had nearly bagged the deal in January 1987, with the Nath group (of Nath Pulp & Papers) willing to provide the financial backing. But the Naths backed out at the last moment, even as a memorandum of understanding was ready to be signed. The winning chance came in July this year, when he found a willing financial supporter in Jobanputra, a 36-year-old former non-resident Indian, whose family has business interests in Rwanda, Uganda, Zaire, the UK, Belgium and Hong Kong.

The deal was overseen by former Bank of India chairman N.S. Parulekar, who has taken over as SSL's chairman, with Jobanputra as vice-chairman and managing director and Bhangar as joint managing director. They have also roped in 46-year-old Jaffar Imam as executive director; Imam was an industrial consultant who has worked with the Kamani group for several years.

Jobanputra dismisses industry gossip that the SSL deal was a steal. "I don't think we've hit a jackpot," he says. "The deal is not underpriced." Of the Rs.1 crore price tag for 97 per cent of SSL's equity capital of Rs.99 lakhs and the entire preference capital of Rs.8.25 lakhs, half has already been paid to the Sarabhais — the remaining Rs.50 lakhs is scheduled for payment in November 1988. Another Rs.30 crores will be paid in four equal instalments of Rs.7.5 crores each in the 13th, 14th, 15th and 16th years after the takeover, as purchase consideration, to ASE Ltd, of which SSL was a part. "One can say that the whole deal is worth Rs.3 crores or so," says Bhangar. "A sum of Rs.2 crores today adds up to Rs.30 crores after 15 years, at an interest rate of 18 per cent annually."

COMPLEX PROBLEMS

What put the others who bid for SSL off the race was not price, but the complex problems that SSL face. Besides an accumulated loss of about Rs.18.5 crores, the company had gone through a series of amalgamations and de-amalgamations in the Sarabhai group, all of which were designed primarily to steer the troubled ASE out of its own financial mess. "All the others wanted to go into the nitty-gritties of the deal," says Bhangar. "But we were prepared to take over the company lock, stock and barrel, without going into verifications of the details and checking out the plants." The new management says it has protected itself from any unpleasant problems that may arise later, after the books for 1987-88 are audited — a clause in the agreement ensures that any discrepancies in current liabilities that exceed 5 per cent will be made good by ASE. "Variations, if at all, will be in the region of 2 to 3 per cent," says Jobanputra.

det
POPULAR
sway
det

Swastik products: a image in the market

Besides the aspect of verifying the books of accounts and stocks, the others in the race may also have been discouraged by the company's large workforce of nearly 2,300 people, according to industry watchers. The most significant among those who backed out is the Mafatlal (Sungrace) group, which, in late 1985, had even remitted to the Sarabhais, an advance payment of Rs.2.75 crores, representing 10 per cent of the total bill. After they backed out a couple of months later, several others conducted negotiations for takeover, besides offering to buy off specific brands or plants. Manu Chhabria, whose company Shaw Wallace made a bid through Creditcapital Finance Corporation, apparently decided to withdraw in the wake of the rapid advances made by Nirma Chemical Works in detergents.

UNATTRACTIVE PROPOSITION

Says a top executive of one of the multinational companies that actively looked at SSL as a takeover candidate, "It's crazy to buy the company. There is the liability of a large workforce at the Ambernath plant which is unionised. Being close to Bombay, the wage levels are also high." He adds that it may have been an attractive proposition if soaps and detergents were not delicensed industries. "Today it makes no sense to buy companies that are in delicenced areas," he says. "I may have been willing to pay Rs.1 crore for the Swastik Shikakai brand, and may be another Rs.50 lakhs for the Det brand, nothing more."

Imam does not agree. "We are not overstaffed," he asserts. "At 65 per cent capacity utilisation, the present workforce may be just about enough for our plants." He, however, agrees that the company is "top heavy" and reveals that efforts are on to work out various schemes to reduce the burden. While the memories of a year-long strike led by Datta Samant in 1981 are still fresh in people's minds, Imam says that the militant trade union leader is no longer attached to SSL's union, and that the new management has been able to smooth out industrial relations. As soon as the new management took over at SSL, the company's workers — unpaid for eight months — received arrears for one-and-a-half months, and also their salaries for August this year. A proportionate amount has also been remitted to the provident fund authorities.

BAD INVESTMENTS

There are, however, other structural problems that make the new team's task ahead onerous. The company is saddled with investments made in several facilities over the years by the earlier management, many of which are considered by industry watchers as strategic mistakes. The most striking of all is a Rs.5-crore detergents and shampoo manufacturing plant at the Kandla Free Trade Zone, set up in the early eighties. Exports of about 12,000 tonnes of detergents to the Soviet Union in 1980, 1981 and 1982, and the signing of a protocol for further exports of 30,000 tonnes during 1982-85 prompted the Sarabhais to set up the Kandla plant. But the Soviets unilaterally decided to discontinue imports in 1983, and the plant was rendered practically useless.

Imam, Bhangar and Jobanputra: game plan ready

The company also set up its own facilities to manufacture pulp and paper, corrugated boxes, printing and packaging, for captive use, at Ankleshwar and Vapi in Gujarat. What's more, it also bought a blow moulding machine to manufacture bottles for its own use. For marketing its products, SSL had an assortment of eight to ten companies which dealt directly with the wholesale trade, unlike others in the soaps and detergents business who maintained contact right up to the retail level. The 400-odd staff of these marketing companies only succeeded in pushing the wage bills higher.

Currently, the company has facilities to manufacture up to 90,000 tonnes of detergents spread out across Ambernath, Kalol, Kandla, Vapi and Madras — the Madras and Vapi plants convert detergent powder into a solid form. The Ambernath unit also has facilities to manufacture 10,920 tpa of toilet soaps, 8,000 tpa of fatty acids, 400 tpa of glycerine, and the Max Factor range of cosmetics and toiletries. Besides these, the company also has facilities to manufacture a range of industrial products such as wetting and dispersing agents, industrial grade glycerine and detergents, pesticide and mineral oil emulsifiers and drilling detergents, with applications in the textile, leather, silk and oil drilling industries.

SELECTIVE PROMOTION

Although the company is arme
such a diverse range of manufa
facilities, SSL's game plan to get
the red will be focused on pushin
moving products. "Swastik Shikak
Genteel are our cash crops," says
"Our accent is on those products th
sell by themselves, without req
much promotional expenditure. O
start the cycle, we can look at the
products." While production of S
Shikakai and Neem soaps, and G
detergent has already started at th
bernath and Vapi plants (within a
of the new management taking ove
Kalol and Madras units are likely
sume operations in a month's tim
Ambernath plant will also roll ou
Factor cosmetics; the full-fledged l
of the whole range is being planned
December this year, at a fashion sh
Bombay.

All through, the effort is to devo
scarce working capital on hand —
Rs.50 lakhs has been brought in by J
putra and Co — to those areas tha
ment the cash flow. The managem
also in the process of cocooning the
dla plant to cut down overheads
printing press has been sold off, ar
packaging unit at Ankleshwar is
posed to be either leased out, or so
"There is a sizeable amount of ove
crore that is locked up in imm
inventories which cannot be used
diately," says Imam. "Efforts are
liquidate this so as to reduce the

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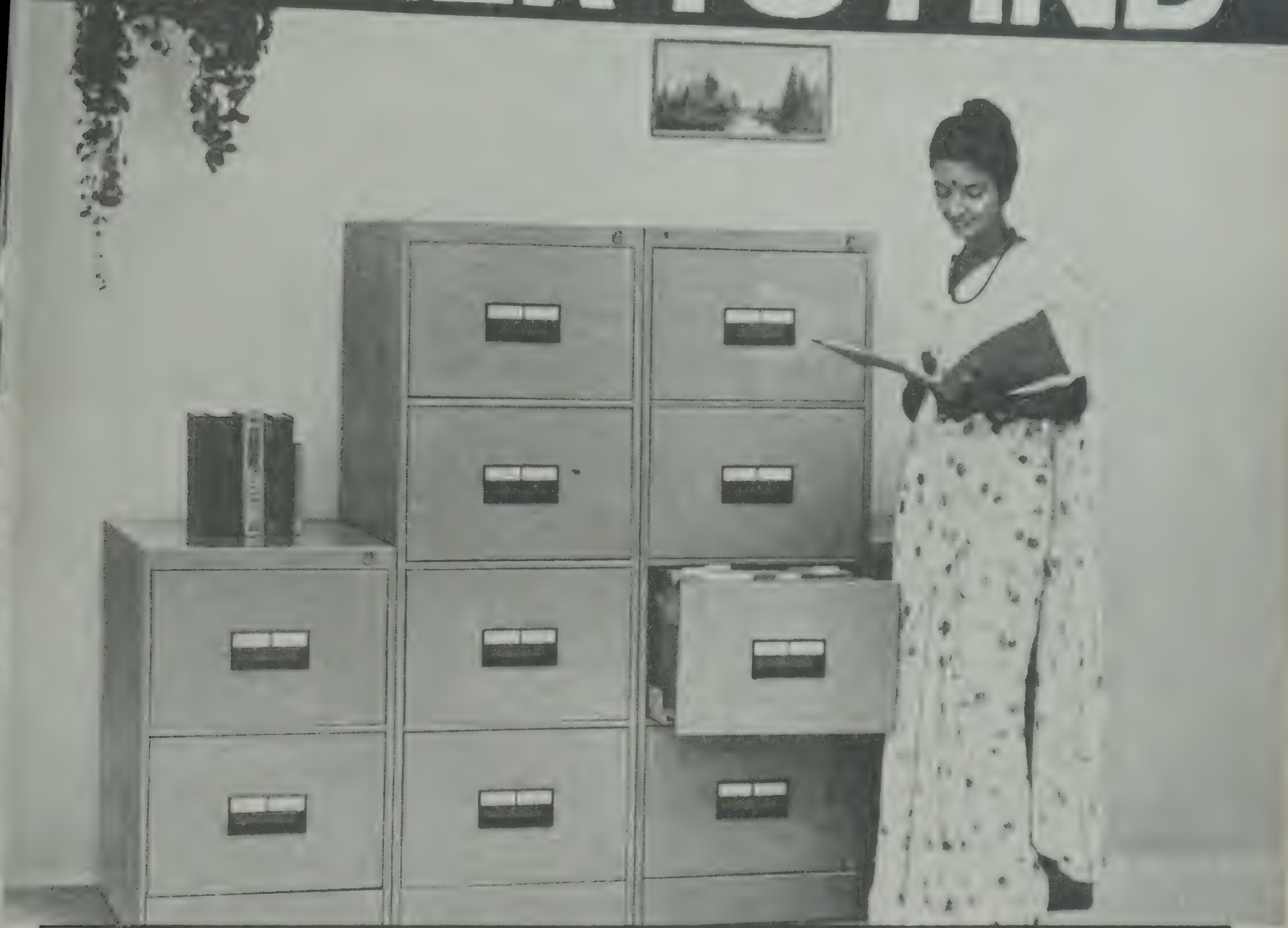

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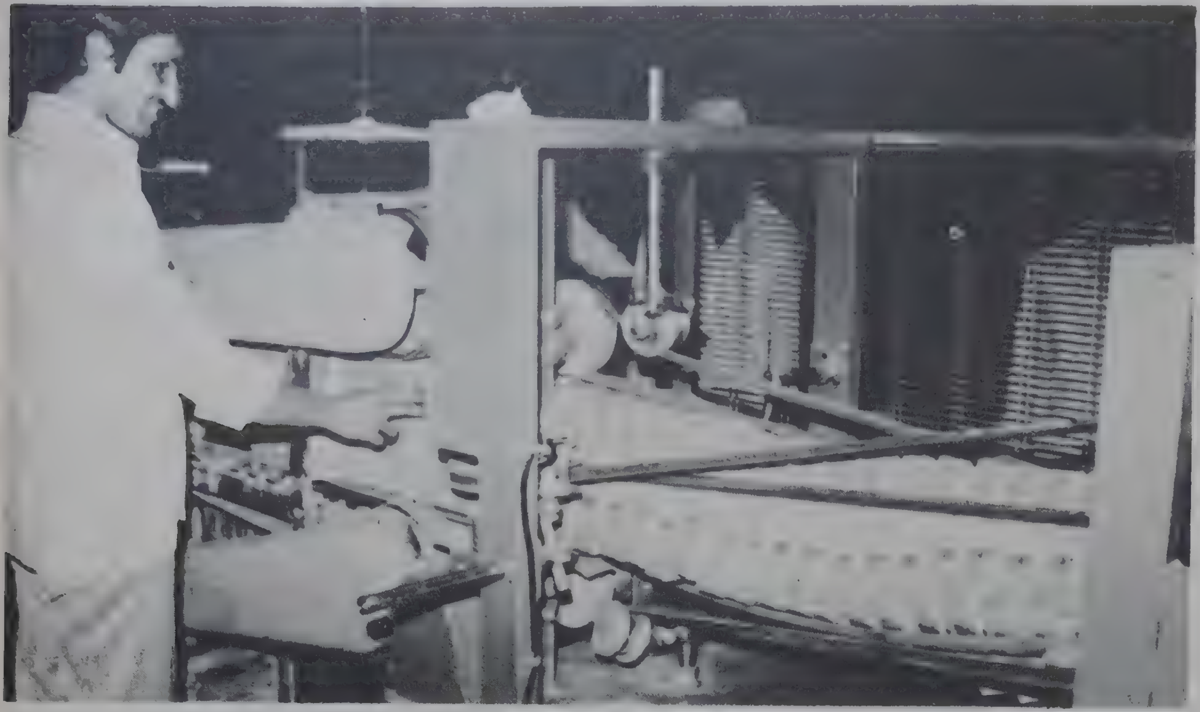

Kandla plant: white elephant

tory carrying cost."

Even as these efforts are in process, the company's bankers — Bank of Baroda and Central Bank of India — are refusing to advance working capital loans. While the bankers are said to be insisting on the repayment of outstandings of about Rs.9.75 crores (principal and interest) before they consider any fresh proposal, the company's management wants immediate working capital assistance of Rs.4.5 crores on the usual terms, and is willing to put down the required margin money. The past bank outstandings, they say, will be paid over six years, with a two-year moratorium.

REQUEST FOR RELIEFS

SSL, which is a "potentially sick unit" under the Sick Industrial Undertakings Act, 1987, has filed a proposal with the Board for Financial and Industrial Reconstruction for reliefs — a concessional interest rate of 10 per cent for the Rs.5.5 crores of overdue interest payable to its bankers, 13 per cent interest on the Rs.4.25 crores of the principal amount, working capital advances on regular terms, and a rehabilitation term loan of Rs.5 crores from the financial institutions/banks carrying interest at the rate of 15 per cent annually.

With these in hand, the new management hopes to achieve a gross turnover of Rs.39 crores in the first year, Rs.78 crores in 1989-90, and nearly Rs.90 crores in 1990-91. Gross profits are projected at Rs.32 lakhs in the first year, Rs.4.07 crores in 1989-90 and Rs.4.67 crores in 1990-91. After interest and depreciation charges, the company will incur a loss of Rs.2.6 crores in 1988-89, break even in the next year, and register profits from the third year onwards, according to a plan submitted to the banks.

The bankers, however, are not willing to step in as yet. "We are three unknown Bombayites who don't have big tags behind us, which is why the banks are playing tough," says Imam. Bhangar is irate at the banks' attitude. "If they start insisting that all the past dues must be cleared on the day we take over, what is the sense," he asks. "We would like to produce now, and then pay government dues. We want the government agencies to give us breathing time...we have told them that all future dues will be paid on time." He says that the reliefs must come on an "emergency basis" for the company's rehabilitation programme to work. "What is the sense if the reliefs come after the patient is dead?" he fumes.

COMPETITORS ON THE ALERT

Even as the banks and the BIFR take their time to respond, SSL's competitors are already bracing up for the competition ahead. Wipro Consumer Products, which had introduced its brand of shikakai in late 1986 to capture the vacuum in the market caused by Swastik's exit, is planning to slash the price of its 100 gm cake (Rs.5.80) by 40 paise — SSL has already cut Swastik Shikakai's price by 25 paise on a 100 gm cake to Rs.5.90. "By and large, we were aware that Swastik may come back," says K.B.R. Menon, Wipro's marketing manager for consumer products. "We cannot have a permanent holiday."

Menon, however, feels that Swastik
may not be able to make a signific
dent in the market unless it resorts
high-pressure advertising — someth
the new management may not be able
immediately afford. He also feels t
Wipro has a distribution network that
stronger than that of SSL. "Over t
years, there has been a lot of attrition
SSL's field force," he says, "whereas
have established our systems." Men
adds that it is not as if Wipro is sudde
facing competition from Swastik now
limited quantities of the soap were bei
produced at SSL's plants under a pr
cessing arrangement with Godrej Soap
from mid-1987.

TOUGH BATTLE

Marketmen do not see encouraging pro
pects for SSL's Det, a premium deterge
product that competes with Hindusta
Lever's Surf and Rin and Tomco's Dubbl
Much of the growth in the detergent
business has taken place in the lower en
of the market, with Nirma leading th
pack. "But you cannot discount anyon
who comes in," says Ernest Fernande
Tomco's general manager (marketing)
"What Swastik will do is a matter of con
siderable interest to all in the industry

Fernandes' cautious attitude is no
surprising, for when SSL was at its pea
in 1984, it had impressive market share
of 17.2 per cent in the organised secto
detergents market, and 8.9 per cent in th
premium toilet soaps market. The bes
years for the company were in the earl
1980s — in 1979-80, turnover was Rs.5
crores, with gross profits of Rs.9 crore
and net profits of Rs.5 crores. The Datt
Samant-led strike in 1981, and the mut
ton tallow scandal in 1982 (which led to
ban on raw material imports) playe
havoc with the company's fortunes, whic
were only worsened by acute working cap
ital resource constraints, leading to th
decision by the Sarabhais to sell off th
company.

But all that has not substantiall
eroded the strengths of the company'
brands. "SSL brands like Det, Swasti
Shikakai, etc have a good image in th
market," says a report by the SBI Capita
Markets Ltd on the company in mid-1987
"It should be possible for SSL to captur
the market again for its products..." An
so, the burden of SSL's revival now rest
squarely on its brands, and willin
bankers.

■

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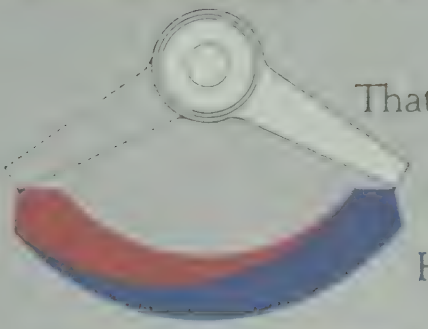

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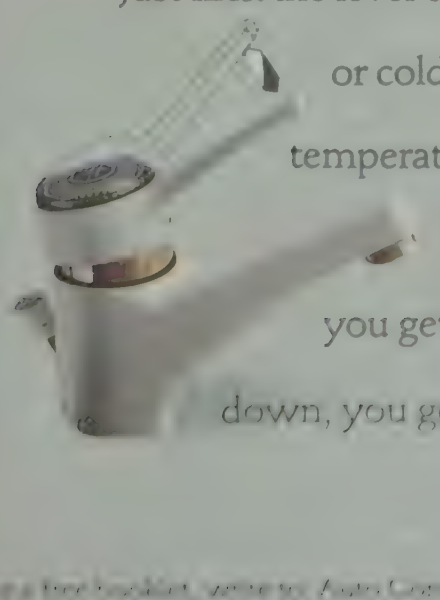

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NOTICE

It is hereby notified for the information of the public that Shaw Wallace & Company Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/unit/division. Brief particulars of the proposal are as under:

1.	Name and Address of the Applicant.	**Shaw Wallace & Company Limited** **4 Bankshall Street** **Calcutta 700 001**	
2.	Capital Structure of the Applicant Organisation.	**Authorised**	
		Preference	**Rs. 1,00,00,000**
		Ordinary	**Rs. 39,00,00,000**
		Subscribed	
		Preference	**Rs. 75,00,000**
		Ordinary	**Rs. 12,00,00,000**
3.	Management Structure of the Applicant Organisation indicating the names of the Directors, including the Managing, Wholetime Directors and Manager, if any.	**Mr M R Chhabria, Chairman** **Mr K R Chhabria, Managing Director** **Mr R M Moghe** **Mr A K Das** **Mr B S Mehta** **Dr R S Tarneja** **Mr R S Mama** **Mr M L Bhakta** **Mr B Sanghavi**	
4.	Indicate whether the proposal relates to the establishment of a new undertaking or a new unit division.	**New Undertaking.**	
5.	Location of the new undertaking unit division.	**TEHSIL/TALUK: Jamshedpur** **DISTRICT: Singhbhum**	**STATE: BIHAR**
6.	Capital structure of the proposed undertaking.	**Same as in item 2.**	
7.	Incase the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:		
	i) Names of goods/articles	**Potable alcohol from non-molasses based raw materials.**	
	ii) Proposal licensed capacity	**50,00,000 Bulk Litres per annum.**	
	iii) Estimated Annual Turnover	**Rs. 7,50,00,000**	
8.	In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value , income, turnover etc.	**NOT APPLICABLE**	
9.	Cost of the Project		
10.	Scheme of finance, indicating the amounts to be raised from each source.	**Finance will be arranged partly from internal sources and balance by raising loans.**	

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice intimating his views on the proposal and indicating the nature of his interest therein.

S.C. MAJUMDER
SECRETARY &
PRINCIPAL OFFICER

Dated this 6th September, 1988

LAKSHMI MACHINE WORKS

An unrivalled run

The performance of Lakshmi Machine Works is remarkable, given the dismal state of the textile machinery industry. This it has managed by sticking strictly to a policy of "fair dealing at affordable prices"

In its 25-year history, the Coimbatore-based manufacturer of textile spinning machinery, Lakshmi Machine Works Ltd (LMW), has had several achievements to its credit. And today it has emerged as one among five companies in the world to manufacture the entire range of textile spinning machinery. It is the undisputed leader in the domestic market; almost all textile mills have one Lakshmi machine or the other. And what is most remarkable, Lakshmi is perhaps the only large textile machinery company in the country that has remained unshaken by the downturn of textile mills.

The company continues to make impressive profits and works at full capacity. Last year, it notched up a turnover of Rs.96.4 crores (year ended December 1987) and earned a gross profit of Rs.9.7 crores. Encouraged by its success, it went in for a major diversification into machine tools, the first of its kind in the last ten years in this troubled industry.

Almost all the major textile machinery manufacturers (including Lakshmi) went in for large capacity expansion in the late seventies, anticipating a boom in demand. But the boom went bust in 1984. At the same time, machinery imports were liberalised. All this dealt a body blow to the industry. The total installed capacity (spinning; weaving and processing) is currently around Rs.600 crores of which only 45 per cent is utilised. The scene in spinning is worse; the utilisation is only 30 to 35 per cent.

EMPHASIS ON QUALITY

How did Lakshmi overcome these adverse developments? Says D. Jayavarthanavelu, managing director, "Our overriding emphasis on producing quality machines at affordable prices is the key to our success." Also, he points out, the collaboration with Rieter Machine Works of Switzerland, a world leader, gave the company access to the latest technology. (Rieter has a 14 per cent equity stake in the company.)

When Lakshmi set up shop in 1962, manufacturers like National Machinery Manufacturers (now Mafatlal Engineering Ltd) and the Birla-owned Texmaco had already established themselves. These companies also had highly rated West German and British collaborations.

Jayavarthanavelu: "We have a versatile base"

But within a year or two of going into production, Lakshmi left these giants behind. Comments Deepak Banker, vice chairman and managing director of the Madras-based Kunal Engineering Company Ltd, a competitor and a supplier to Lakshmi, "It is true that Lakshmi has one of the world's finest collaborators in Rieter. But anyone can get a good collaborator. What is critical is how you absorb technology. Thanks to an excellent training programme, the company could genuinely assimilate Swiss technology."

Even before the company's building came up, Swiss instructors came to train the workforce, to help in the selection of machinery, and so on. A Rieter executive is always stationed in Coimbatore. Over the years, Lakshmi has sent hundreds of its engineers and even workers to Switzerland for training. "We don't have to translate any of the German drawings. All our workers can read that much German," says Jayavarthanavelu with pride.

The company, as a matter of policy, played a scrupulously fair game with the textile mills during the boom years 1974 to 1984. At the time, the demand for Lakshmi machines was huge; the waiting period for some was as long as ten years. And yet, as Jayavarthanavelu says: "We never cut the queue or raised prices to take advantage of the situation. Even our group mills had to wait their turn."

LOWEST PRICED

Today, Lakshmi-Rieter spinning machines are the lowest priced among the major brands. Comments a textile industry insider, "In the days of the boom, the other big players grew complacent. They did not bother to keep up with technology as Lakshmi did. Nor did they care much about customers. So when the slump came, it was only Lakshmi that remained unaffected." Today, its major competitors, Mafatlal Engineering, Machinery Manufacturers Corporation, and Texmaco are nowhere in the picture.

Right from the outset, Lakshmi aimed at ultimately manufacturing the entire range of spinning machinery (blow room equipment, carding engine, drawframe, speed frame, comber, silver lap, ribbon lap, ring frame and open-end spinning machines). Today, that aim has been achieved; as a result Lakshmi has the strength to withstand the vicissitudes of the textile industry. The company has a record of introducing a new machine almost every year. And though it does face competition, it has a virtual monopoly of some crucial machinery like combers, and its latest product, the open-end machine.

Apart from its product range, Lakshmi also draws strength from exports. The company was able to successfully tap markets in developing countries during the textile slump. Its collaborators also buy some of its machinery. Currently, at least 15 ring frames are being exported to Rieter every month. This year it has already exported machines worth about Rs.16 crores. And by March 1989, the figure may well exceed Rs.25 crores.

Today, Lakshmi has enough capacity to meet over 50 per cent of the country's demand for complete spinning plants. "We regularly visit international textile exhibitions. Before we import any machine, we first find out whether it is saleable," says K.B. Krishnan, assistant general manager, engineering. "We have the infrastructure to make any machine but we must also be able to sell it."

The company has followed a policy of

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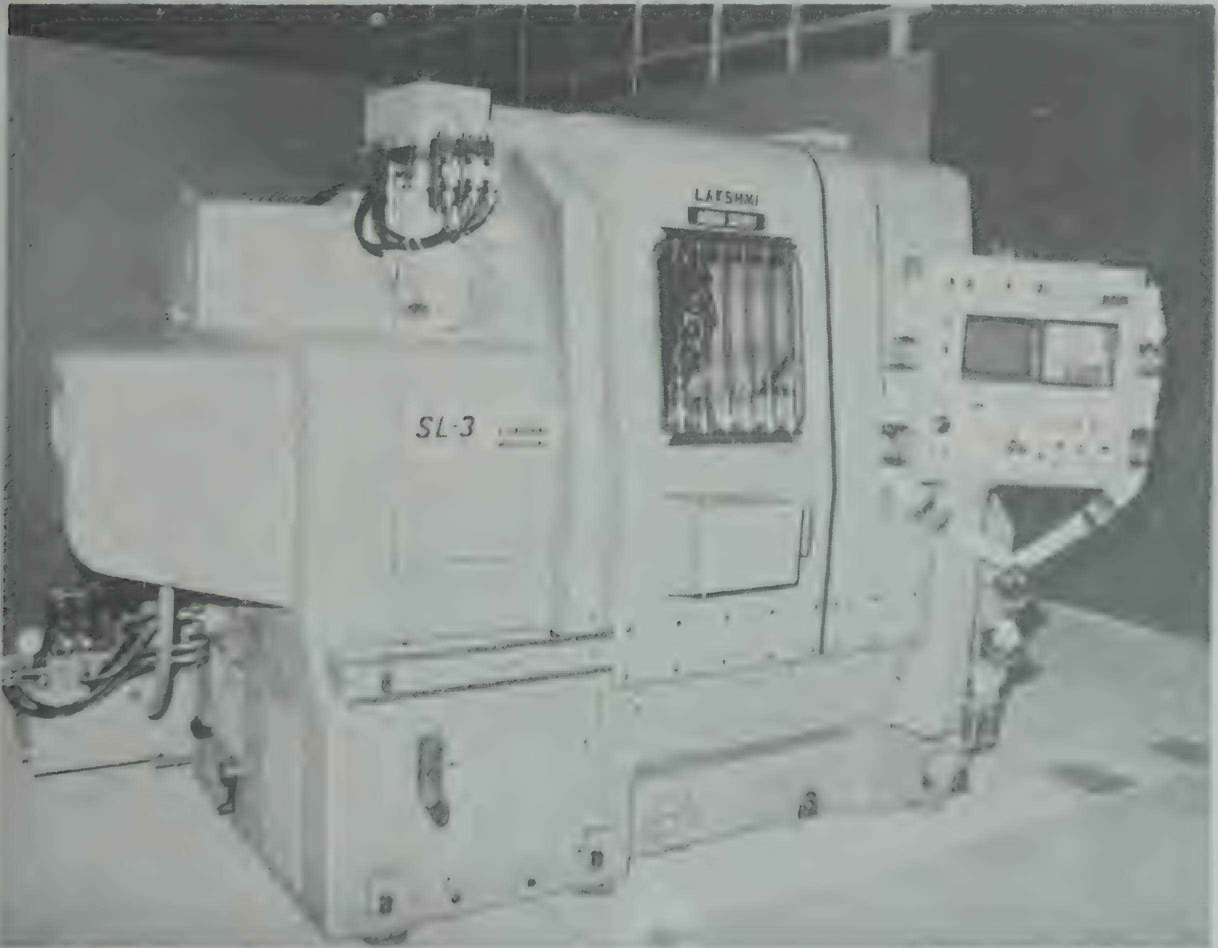
rapid indigenisation from the beginning. The import content is nil for almost 90 per cent of the machines manufactured. And it is also able to develop machinery on its own. For instance, the Speedframe LF 1400 is Lakshmi's own baby. Continuous product development ensures that machines developed abroad are suitable for Indian conditions. And each year, Rs.4 to 5 crores are spent on modernisation.

NO CREDITS

The company has followed a conservative financial policy, which has stood it in good stead. "We do not extend credit to anybody, not even to our group mills," says R. Rajendran, senior manager, accounts. Also, the company believes in funding its expansion and diversification as much as possible with internal funds. So the interest burden is low.

Lakshmi's latest and most prestigious diversification is the machine tool unit set up near Coimbatore to produce high quality CNC machines. This project is expected to cost around Rs.30 crores. Borrowings will mainly comprise foreign exchange loans from the World Bank and the IFC for equipment imports.

The project has raised many eyebrows. The eighties have hardly been happy years for machine tool manufacturers. All, including the public sector giant HMT, have been badly hit by import liberalisation and the sudden increase in the demand for CNC tools which was not foreseen. Jayavarthanavelu appears quite unperturbed about the prospects of the machine tool industry, though. "We have a versatile base for taking up complex manufacturing processes and a large bank of skilled and trained manpower," he says, "also, we have extensive experience in purchasing and using machine tools."



A CNC lathe: bold diversification

The project has been set up in technical collaboration with Mori Seiki Co of Japan, world leaders in the manufacture of CNC lathes and machining centres. The factory itself is being pressurised, at a cost of nearly Rs. 1 crore, to keep it dust-free. Says N. Srihari, assistant general manager, machine tools division, who has joined Lakshmi after a long stint at HMT, "This manufacturing facility is really the only one of its kind in India." Jayavarthanavelu is confident that in the next two to three years the machine tool project will have a turnover of Rs.40 crores.

Evidently Lakshmi Machine Works has begun its 26th year of operations in a mood of optimism. It expects to reach a turnover of Rs.150 crores by the end of the year. For the future, Jayavarthanavelu sums up, "We will work towards maintaining our leading position in every way. We will continue our policy of fair dealing in good machines at affordable prices." ■

SUSHILA RAVINDRANATH

The Lakshmi group

Established in 1910 in Coimbatore, the Lakshmi group today is a vertically integrated organisation in the textile industry. It has a combined turnover of over Rs.250 crores. The group companies consist of Lakshmi Mills Co Ltd, United Bleachers Ltd, Lakshmi Machine Works Ltd, Lakshmi Card Clothing Mfg Co Pvt Ltd, Lakshmi Textile Exporters Ltd, Vijayeswari Textile Ltd, Lakshmi Automatic Loom Works Ltd, Lakshmi Ring Travellers (Coimbatore) Ltd, Lakshmi Electrical Control Systems Ltd, and Lakshmi Precision Tools Ltd.

Informal split? The group is managed by the family of G. Kuppuswamy Naidu, founder. It is generally believed that the inevitable family split has also taken place in the Lakshmi group. G.K. Devarajulu, the eldest son of the founder who was also the chairman of the group until recently, has now resigned from all the other group companies, except Lakshmi Machine Works and Lakshmi Ring Travellers, both run by his son Jayavarthanavelu. He is no longer involved in the running of Lakshmi Mills Company Ltd — the first company promoted by the founder and one of the largest textile mills in the south today — which is managed by K. Sundaram, his brother.

Jayavarthanavelu looks after the spinning and allied industries. In fact Lakshmi Machine Works and its affiliate companies really form a group within the group. Jayavarthanavelu's cousin (son of Sundaram), S. Pathy, is in charge of Lakshmi Automatic Looms Works Ltd — which makes machinery for the weaving industry — and the other associated units. Jayavarthanavelu does not describe this clear-cut division of responsibilities as a split. "As we grow, people must have responsibility for their own units," he explains. "Unless proper channels of communciation are established, responsibility cannot be fixed." He adds that Lakshmi Machine Works is an MRTP company, and there is no need for the other group companies to get affected because of this. "But there is no real split," he asserts. "I still have a lot of shares in Lakshmi Mills."

GODREJ & BOYCE

In the excise net

Extensive excise raids last year on Godrej & Boyce Mfg Co resulted in two show cause notices for alleged duty evasions of over Rs.14 crores on sales of refrigerators and typewriters. In July last year, the company obtained a stay from the Bombay High Court, but a scrutiny of the documents seized by excise officials suggests that a long battle may well be in the offing

N.P. Godrej: "the commission...has to have some element of advertisement"

The mood is distinctly downbeat at the corporate offices of Godrej & Boyce Manufacturing Co Pvt Ltd, in downtown Bombay. Even though the decline in sales since 1985 was reversed last year (up by 23 per cent to Rs.260 crores), the company began the current year with the hangover of a large excise evasion charge.

Raids conducted by excise officials during June last year at the various premises of Godrej & Boyce and its dealers all over the country unearthed documentary evidence that seriously implicates the company in charges of duty evasion of Rs.11.95 crores on sales of refrigerators, and Rs.2.15 crores on typewriters.

The excise authorities allege that the company recovered a part of its advertising and distribution costs from trade discounts offered to dealers. These discounts were earlier deductible from the basic price of refrigerators (15 to 19 per cent) and typewriters (15 to 28 per cent) for excise purposes when the duty was levied on an *ad valorem* basis. So the company is alleged to have fixed these at very high levels to reduce the excise duty payable. Later, a part of the discount was recovered from the dealers under various heads such as "warehousing costs", "after sales service charge" and so on, as claimed by excise officials in their show cause notices. (Later, with a view to counter such practices, resorted to by many firms, the excise authorities made these specific: on refrigerators from March 1987 and on typewriters from March 1986. So there was no longer any incentive to maintain the discounts at such high levels. And sure enough, these climbed down as revealed by some Godrej dealers).

"NORMAL DISCOUNTS"

The company claims that their's were "normal trade discounts" that were "uniformly allowed" and not refundable on any account whatsoever. But the excise authorities brandish a letter dated 30 August 1983 marked "confidential" that was seized from Godrej & Boyce during the raids which categorically states, "So far we have been giving a TD (trade discount) of 19 per cent and 18 per cent to U/C (up-country) WDs (wholesale dealers) and SDs (sub-dealers), respectively, and recovering 2 per cent W/H (warehousing) charges from dealers under regional distribution. The net effective trade discount was 17 per cent to wholesale dealers and 16 per cent to sub-dealers."

The letter also reveals that a part of the trade discount was to be spent by the dealers on advertising Godrej products, "We had increased the trade discount some time in April 1982 by 5 per cent so that the upcountry dealers could use 4 per cent for giving special prices and other promotional expenditure. One per cent was to be considered as our prepaid contribution to their advertisement expenses which was to be budgeted at 2 per cent of the basic price."

The excise authorities say that this letter of August 1983 clearly indicates that higher trade discounts were primarily given to wholesale dealers to give attractive discounts to customers and also to "vigorously advertise" in the local media. Yet another letter, seized by the excise authorities, dated 2 September 1982, states, "Out of your margin of Rs.200 to Rs.250 for the coming month, you should be prepared to spend Rs.60 per refrigerator on advertisement and publicity...this time we shall be advertising in the newspapers on your behalf and recover the cost from you through your blank cheques." Many Godrej & Boyce dealers follow the practice of depositing blank cheques with the company to take care of their offtake of products for distribution.

The company had earmarked an advertisement budget of Rs.60 per refrigerator, and expected dealers to fund half this amount from their trade discounts. A letter written to dealers in April 1982 states, "Out of your higher trade discount you should consider that Rs.30 per refrigerator has been prepaid by us to you towards advertisement. To this you should put in Rs.30 per refrigerator as before and vigorously advertise with a budget of Rs.60 per refrigerator."

Another document seized by the excise officials gives the break-up of the trade discounts that dealers received. The document, dated June 1982, shows that out of the total discount of 19 per cent (Rs.570) for each refrigerator, dealers were expected to appropriate 2 per cent for warehousing costs, 3 per cent as their contribution to advertising and 2 per cent for a special discount to be passed on to customers. This left only Rs.360 in the hands of the dealer.

NO COMMENT

In a statement made to the excise authorities in June last year, Godrej & Boyce managing director N.P. Godrej admitted that "the commission...to the wholesale dealers has to have some element of advertisement (costs)". The company's officials, however, refused to talk to *Business India* on the charges made in the two show cause notices, saying that the matter was sub-judice. Although the excise authorities had asked the company to reply to their notices within 30 days of them being served, it has not done so as yet. Said P.D. Lam, vice-president (corporate services), Godrej & Boyce, "we cannot talk to you on the subject until we reply to the excise authorities."

Besides advertising and warehousing

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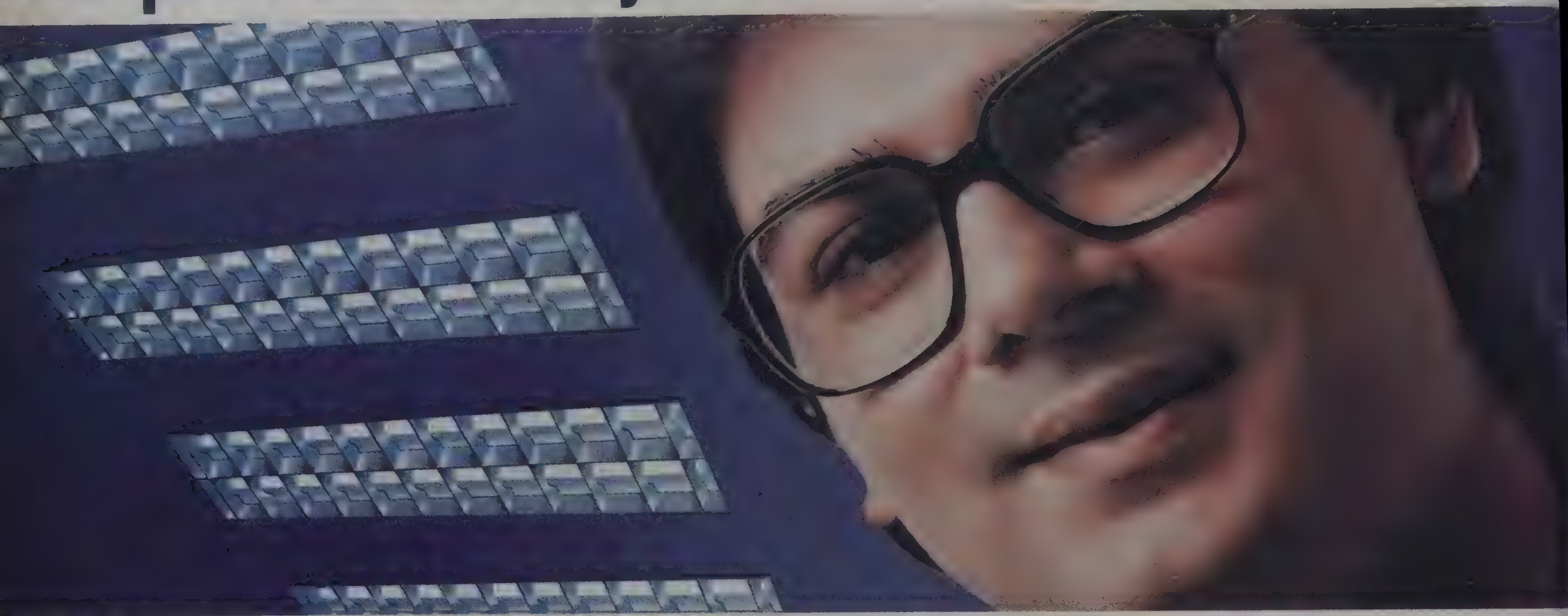
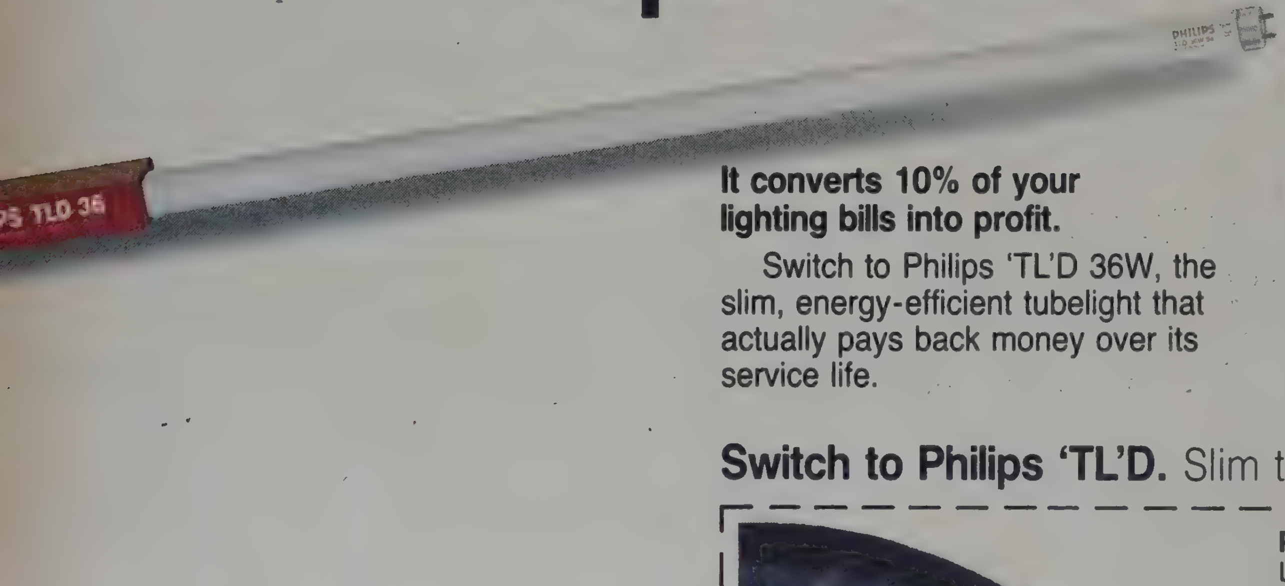
PHILIP

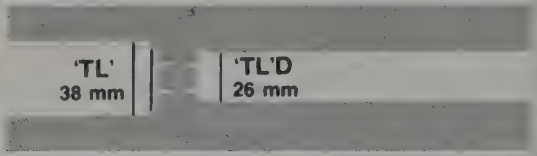
‘I converted 10% of the office lighting bills nto profits. With just one switch.”



Philips ‘TL’D.



When you’re talking about lighting in offices, industries, hospitals, institutes, clubs... you’re talking about a large number of installation points. And long hours of lighting. Imagine the savings!



It converts 10% of your lighting bills into profit.

Switch to Philips ‘TL’D 36W, the slim, energy-efficient tubelight that actually pays back money over its service life.

Philips ‘TL’D, a 36W tube that provides as much light as any ordinary 40W tube. It fits easily into existing luminaires and operates efficiently on a 40W ballast.

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B I

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254-D, Dr. Annie Besant Road, Worli,
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Kindly send more details on how I can save money for my installation.

Name: ______________________

____

Designation: ______________________

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____

When it’s Philips, you’re sure

sts, the company also expected dealers spend a part of their trade discounts to eet after-sales service expenses, at least areas where the company did not have s own offices or service infrastructure. ne excise authorities conclude from eir investigations that out of the 15 to per cent that was passed on as trade scount on every refrigerator, about half as treated as consideration for providg after-sales service over a five-year peod (including four years of optional rvice). In fact, one letter dated 18 April 985, seized from the Calcutta branch of ne company, reveals that even in cases here the wholesale dealer has to render rvice only for one year instead of five ars, "...it would be fair if a part of the rade discount is recovered in some form epresenting the four years' service which he dealer would not be rendering".

The letter then goes on to details how he amount should be recovered: "We feel hat it would be appropriate if, while efunding the amount of the service conract deposit, we raise a debit note on the lealer for the value of five per cent of basic price which can either be adjusted against this deposit refund or recovered separately. This will also act as an incentive for the dealers to persuade the customer to enter into the service contract."

> Yet another letter, seized by the excise authorities, dated 2 September 1982, states, "Out of your margin of Rs.200 to Rs.250 for the coming month, you should be prepared to spend Rs.60 per refrigerator on advertisement and publicity...this time we shall be advertising in the newspapers on your behalf and recover the cost from you through your blank cheques."

Armed with all these revelations, the excise authorities say that according to the provisions of the Central Excise & Salt Act, 1944, the "value" of any excisable goods does not include trade discount, provided it is not refundable on any account whatsoever. "It appears that the deductions claimed by M/s. Godrej as 'trade discounts' in the price lists filed by them do not meet this proviso," they say. "Instead, a part of the trade discount amounting to 2 per cent has been recovered or refunded in the guise of warehousing charges."

The company maintains that it has stopped recovering warehousing charges from dealers about three to four years ago. But at the same time some dealers found that their trade discounts were also lowered. S. Krishnamurthy, proprietor of Fashion House, Vellore, a Godrej & Boyce dealer, in his statement to the excise authorities, says that his agency was given a lower trade discount of 17 per cent as against 19 per cent earlier for refrigerators, as soon as the company stopped recovering warehousing charges. The excise authorities found a similar pattern in the case of typewriters too.

REFRIGERATOR
REFRIGERATOR
REFRIGERATOR
Godrej
REFRIGERATOR

he excise case is far from sealed

SMALL REPRIEVE

For the time being, Godrej & Boyce appears to have got a reprieve, with the Bombay High Court issuing a stay order last year. The company's counsel, H. Hidayatullah, has argued that the excise authorities had approved the assessable values determined in the price lists submitted by the company on a provisional basis. The petitioners felt that once provisional approval was given to the price lists, it also applied to the assessments of duty. The petition filed by the company states, "Therefore...it is not open to allege that there has been any non-levy or short levy of duty as the question of the extent of the duty itself is under inquiry and quasi-judicial determination." Thus the company's petition "raises pure questions of law" (as Justice K. Kurdukar of the Bombay High Court put it) and not any substantive issues raised by the excise authorities.

Surjit Singh, collector of central excise, Bombay, declined to comment on the matter, or indicate if the excise collectorate will challenge the stay obtained by Godrej & Boyce. But clearly, the evidence cited by the excise authorities in their show cause notices is far from flimsy and they are not likely to give up in a hurry. So yet another long-drawn-battle over excise seems to be in the offing ■

SHANKAR I

FROM THE DESK OF THE MANAGING DIRECTOR

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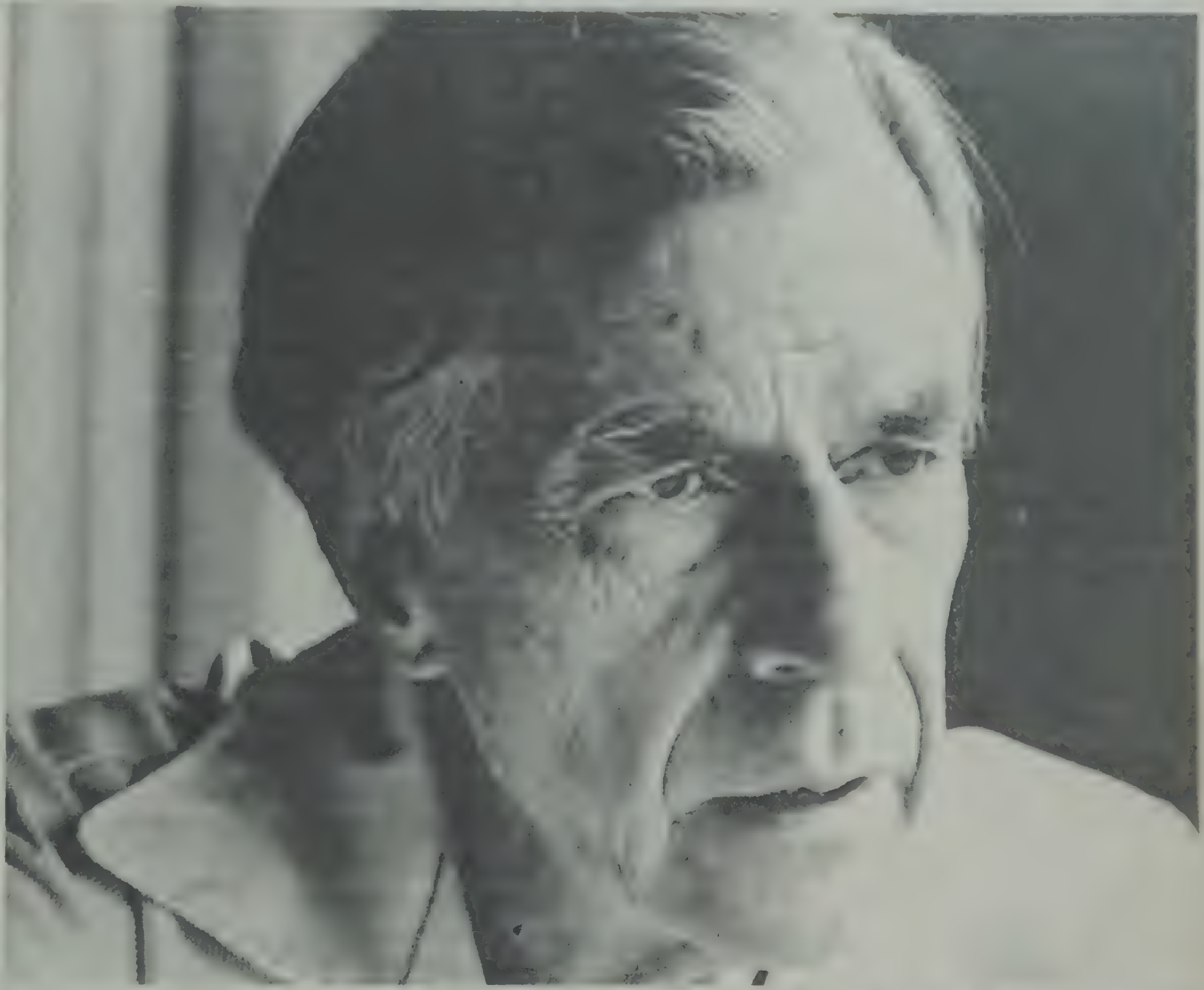
Urging a liberal economy on India”

hn Kenneth Galbraith, *noted onomist, adviser to several US esidents, author, diplomat and ardent dia watcher was in New Delhi last rtnight on a lecture tour. He spoke to* isiness India's *Dilip Cherian and to .V. Doshi, a former student of his.*



he issue of liberalisation, which is ry big in India at the moment, is one at both developing and developed ountries are grappling with. Where do ou think this process is heading?
think it is a very important issue and it epends entirely on the stage of development. In the early stages of economic evelopment, where administrative skills re a scarce resource, the country should ave a generally liberal economic policy. 'hen you get to matured capitalism as in he United States, Western Europe, Japan. You have an enormous number of roblems that need to be considered and lso a stronger administrative capacity. he result is, inevitably and rightly, you ave more state control. This was a conclusion that I reached many years ago vhen, while flying back to India from the Jnited States, I always, somewhere over Beirut, change from being a social welfare economist to the United States and find myself urging a liberal economy on India.

Do you think there will be a price to be paid in the short term for such a process?
Well, one sacrifices some measure of social equity in order that you have a greater rate of economic growth. There is no question about that. The whole question is not of right or wrong but something that is related to the much larger historical process.

In a country like India would the question of social inequity be an acceptable price?
This is a question on which we have practical experience. The liberalised economies of Korea, Taiwan and Singapore have had a beneficial effect on all the participants and indeed, are drawing participants from all the other countries. Similarly Thailand. But, at a later stage I would like to see India, as in the US, in Western Europe, concern itself with the greater questions of social equity.

Will liberalisation end up by benefiting India with rapid economic growth and a move towards a developed economy or will it send it into a Latin American kind of debt trap?
The South American debt trap was a result of one of our recurrent episodes of insanity where the big international banks had very large deposits of oil money and made speeches to their mirrors every morning about their success in recycling it. That was an episode that need not and will not recur.

That takes us to the issue of global debt which must at some stage begin to affect the way countries trade with each other. What do you see as the most expedient way out of the current crisis?
This is something which people who are short of conversation talk about. There is only one real problem of debt at the present time and this is of South American countries and that will not be repaid, it will be written off. There is a long history of written off debts in the last century for the developing countries. The US borrowed heavily in 1830 and again in the 1870s and a lot of that debt went into default and during the World War I the British and French borrowed heavily from the US and that went into default. The Canadian railway system was built on debt that was never repaid.

There is a lot of talk in India about moving towards high technology and I recall you have some very different views on technology. What do you feel is the correct technology for India?
Appropriate technology. There is no doubt about that. People involved in such matters find it profitable to produce themselves and this is not a matter for overall judgement it is a matter to be left with the market absolutely. Absolutely. Any public official or private businessman who talks about concentrating India's attention on any particular level of technology should be treated with loud snores.

I don't think there is any particular level of technology that India cannot achieve. I would in a liberalised economy encourage also hi-tech countries from abroad. I don't consider IBM an uncontrollable menace.

What about Pepsi?
Or Pepsi. I've been associated for the last twenty years very closely with the head of Pepsi Cola. Not for consumption of his products but because we've been cochairmen on the American committee for US-Soviet relations. I'd make a point of that. I'd say if the Russians can survive Pepsi Cola, so can the Indians. In moderate amounts

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The photocopy on the left is on ordinary paper. What it can do to your copier, however, is far from ordinary. In its passage through your copier, it can leave a trail of virtual mayhem.

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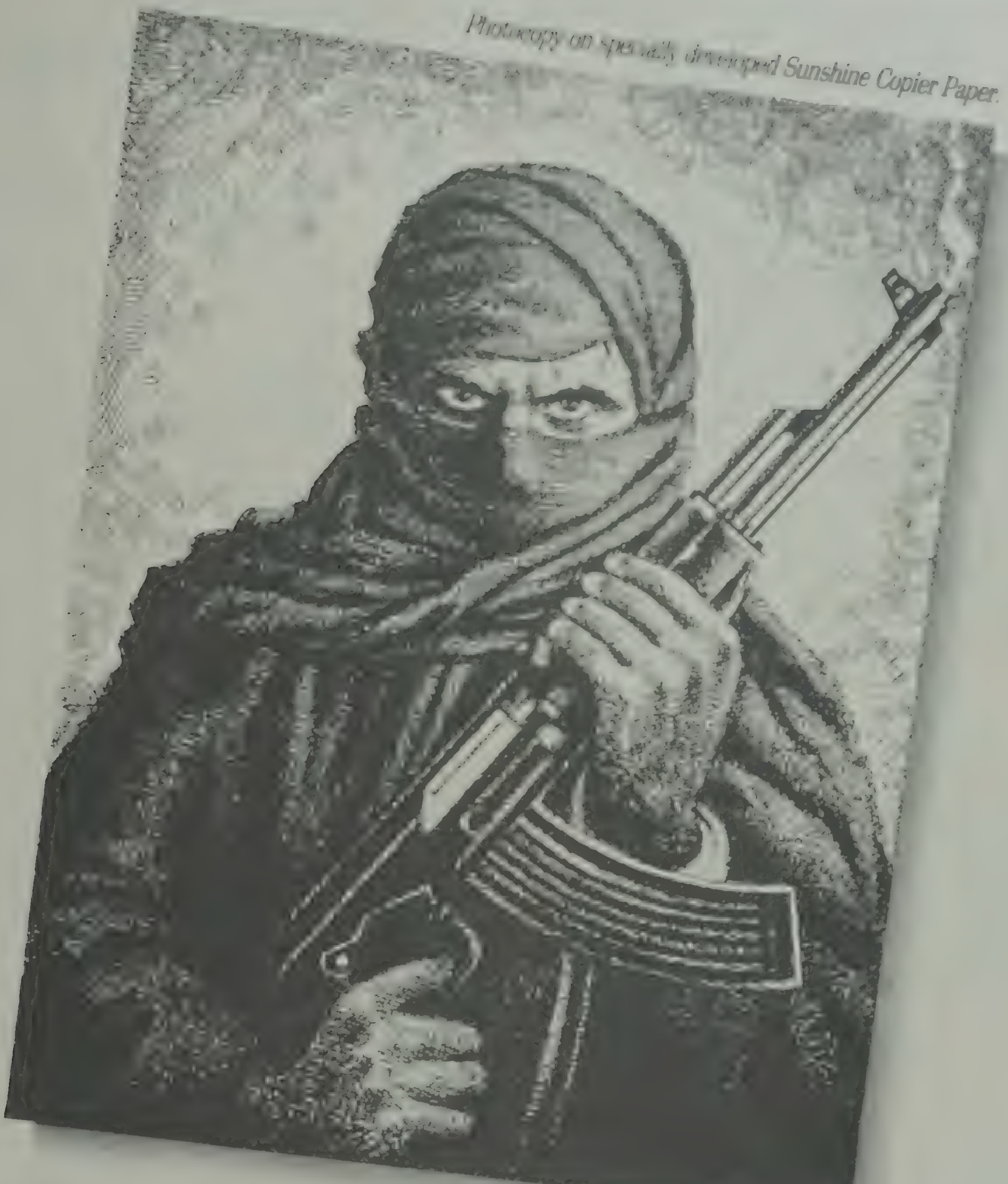

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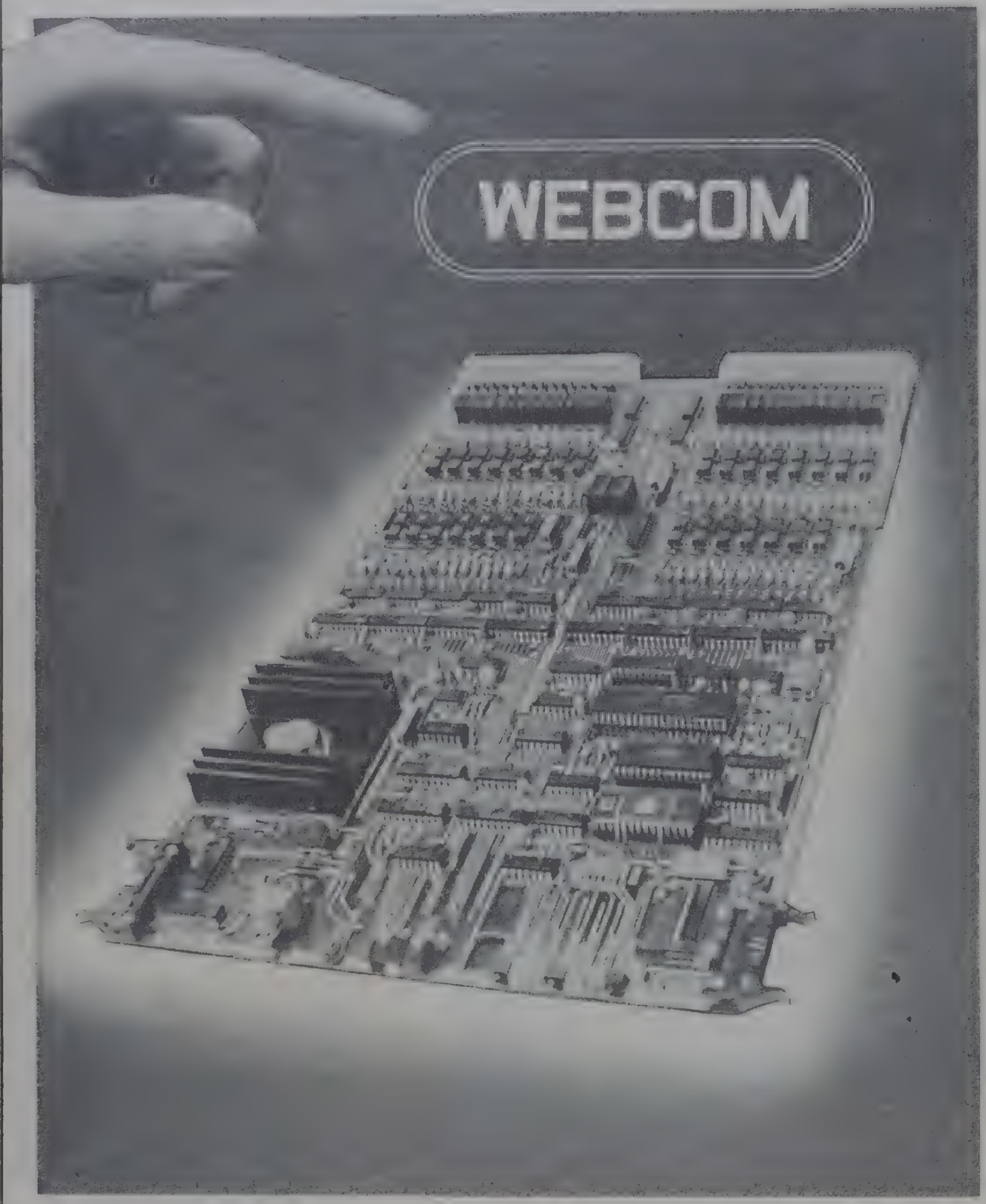

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Always a beat ahead in Technology

hat do you think will be the likely US enario after the November elections d how is that going to affect the US titude to India?
pay no attention to the US attitude to dia or the Indian attitude to the US. hat's something that affects about half a ozen of bureaucrats on both sides. The al relationship between India and the S is an enormous and continuing fas- nation of the US for Indian culture, olitics, literature; something that has ptured millions of us. On the Indian de there is a similar fascination with the S and I have said many times that ndians anciently concern themselves ith the transmigration of the soul. Now hat problem is solved and when they die hey want to go to New York.

n economics there is a tremendous mount of value being attached to new esources, and it's quite obvious that ndia has a large pool of this. Yet how is t not attracting global economic owers?
Dh, I think this is inevitably the process. Ve have seen industry moving from Bri- ain to the Continent in the last century on to West Germany, on to the US, on to Japan, on to Korea. Now we have a rapidly leveloping Thailand and I have no doubt hat India will be next in line.

The important thing which can't be emphasised too strongly is the impor- ance of cultural investments. The most mportant step in this process is to have good primary and secondary education besides good university education. Mod- ern industry requires a literate working orce. This has been the great advantage hat the Japanese have, that the Koreans have, that the Thais have taken seriously. One of the mistakes of my generation is hat we didn't see the importance of trong disciplined public education. One of the simple truths of modern world conomy is that there is no literate popu- ation anywhere in the world that is poor nd there is no illiterate population vhere there is anything but poverty.

ome studies for the 1990 picture the lobal economy as one where there will e low growth, low inflation, a more onscious customer, and far greater ompetition thanks to open markets. o you see this as a possible scenario?
t's possible. But these are all matters of ot judgement but guess. I would see the 990s as a time when the industrial coun- ries will continue to give up their mass production and will be increasingly dependent on hi-tech or service industries. And there will be much greater emphasis in the older countries on industries involving the arts, entertainment and design. This is not a purely theoretical matter. One of the great post-war successes has been Italy, and Italian products have been based overwhelmingly on superior design which in turn reflects the superior artistic vision of Italy.

We already see New York and Paris surviving not because they are places of inexpensive manufacture but because they are incomparable when it comes to the arts.

What do you see as India's role in this?
Well, I've no doubts that India has a long future in the arts. But India's immediate future is in the liberalisation of its labour force.

How do you see the communist giants of China and the USSR putting the markets into Marx as it were? Do you see this as something that the communist ideology can accept?
Certainly. Inevitably. As you get more complex consumer goods, more styles, more designs, more supporting services, the whole problem of command social planning becomes very difficult, very awkward, very immobile. And you have both China and Russia moving towards the market as the only means of translating consumer demands to a producer and getting the producer to respond. Combined with the fact that we now recognise, as the Chinese have and the Russians are recognising, that agriculture works only when you have responsibility resting on the individual cultivator. Agriculture works only under the system of exploitation, where the individual exploits himself and his family.

In India, on the one hand, the government is liberalising industry and the economy. On the other side, they talk of achieving the commanding heights of the public sector. How do you see the future trend in India with regard to this kind of conflict?
That talk about the government occupying the commanding heights. It is something in which I participated 50 years ago and which I have long since abandoned.

A lot of people are talking about Africa and how there is a constant and consistent deterioration there. What is your view of Africa in a world economic content?
I have never been a first hand student of Africa. But there is no question that this is the tragic case in economic development. And the circumstances that have led to this breakdown are I think four. There's first of all a kind of pseudo socialism in Ethiopia and Mozambique, and Tanzania. One of the things that Marx was most insistent about was that you can only have socialism after you have capitalism. He would have been appalled at the idea of a socialist Ethiopia. That is one thing wrong. Putting a burdensome administrative load on a primitive governing body.

Second problem, there has been an emphasis on industrial development with a prior claim to agricultural development. This has led to efforts to keep food prices low in order to benefit the urban working community and has discouraged long term development of agriculture, and has been a factor in the famine.

Third has been the failure in economic development to emphasise what we have already talked about here in India — cultural education. In the last century in the US and Europe, when you were talking about economic progress the first thing you were talking about was education, public education, that lesson got lost in Africa.

Finally of course there's the problem of who does the developing. One of the things that is certainly necessary for economic development is a stable government apparatus.

To come back to India, do you see India's diversity as an accelerator or deterrent to its economic prosperity?
It's a hypothetical question, because one accepts what one has. The clear implication of your question is that somehow India should be converted exclusively to Punjab? It shouldn't be very difficult!

No, seriously, you once called India a functioning anarchy. You still subscribe to that view?
I've noticed that India like the US has a gift for accepting pat phrases. Many years ago I invented the phrase 'conventional wisdom', which has become part of the language and I come to India and still discover that two of my comments of the distant past, post-office socialism and functioning anarchy are still around. I am prepared to see them abandoned. They lack novelty

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APEX 87502

OMBAY SEWERAGE PROJECT

Down the drain

itiated in 1970-71 with a feasibility udy the World Bank-sponsored Bombay project, intended to revamp the city's ewerage system, is still far from comlete. If anything, the project appears to e in murkier waters now than a decade go when the consultancy for the project – a WB pre-requisite for the loan — was warded to Engineering Science Inc ES), a US company known more for its xpertise in water supply than sewage isposal.

The way the consultancy contract was warded to ES on 9 June 1979 generated great deal of controversy. And the way it was handled spelled disaster right from he word go. The ES consortium comprising two local companies — Public Health Engineers Consultancy Pvt Ltd (PHE) and Associated Industrial Consultancy Pvt Ltd (AIC) — took three years to complete the designs alone out of the five years stipulated for the completion of the entire project. The consortium was appointed for detailed engineering consultancy and site supervision of certain components of the work which included laying submarine outfalls, setting up aerated lagoons, constructing tunnels, diverting sewage from various parts of the city to the pumping stations and outfalls through the tunnels and testing the sewage to ensure that it conforms to the standards set by the Maharashtra Prevention of Pollution Board.

Eight years later and three years behind schedule, the only achievement the consortium could boast of was the partial commissioning of the Colaba waste water treatment plant, the smallest of the seven systems with a capacity to dispose of approximately 25 million gallons of sewage a day. Less than two months after commissioning, the chief engineer of the Colaba plant listed 106 defects in the waste water treatment facilities.

The number of contracts handed out *in toto* for smaller jobs exceeds 85. Ramesh Joshi, a Janata Party councillor believes that most of these contracts have been awarded fraudulently and that "the entire project has become a money-making bonanza for everyone involved with the project — from the smaller contractors to the consultants themselves". The prized contract — that of installing the outfalls (3.5 metres diameter RCC pipes that would diffuse/dissolve the treated sewage and finally release it 3 km out in the Arabian sea at Bandra and Worli) — was however, awarded to Spie-Capag, a French firm with Italian collaboration which, later on also bagged the HBJ pipeline contract.

Subsequent events proved both the choices — that of the consultants (ES) and that of the contractors (Spie-Capag) — to be a mistake. While Spie-Capag suspended all work on the outfall project on account of "incorrect seabed data prepared by the consultants", the latter seemed even less interested in getting the project completed. Delays kept mounting, equipment lay idle and therefore costs kept escalating. The cost of the project initially estimated at Rs.334 crores has soared to Rs.651 crores. Joshi, however, estimates the total outlay of the project to be not less than Rs.800 crores. "I wouldn't be surprised at all if the final figures exceed Rs.1,000 crores," he says. The two Indian companies of the ES consortium, however, could not explain the reasons for such delays. While PHE directed *Business India* to AIC for the information, the latter passed the buck on to the former."

According to Spie-Capag, the survey conducted by the ES consortium showed the seabed at Bandra and Worli to be rocky whereas their own investigations revealed that the bed was sandy and hence unsuitable for laying the heavy 65-80 tonne RCC pipes. The BMC, however, differs. Says R.G. Deshpande, deputy municipal commissioner, "What Spie-Capag is claiming now is not true. When the contract was awarded, they were aware of the seabed conditions at Bandra and Worli. Their only grudge then was that the rock level was higher than desired. Suddenly they made a volte face and claimed that the seabed soil conditions were at variance with what they had been led to believe."

Bombay II sewerage project: in limbo

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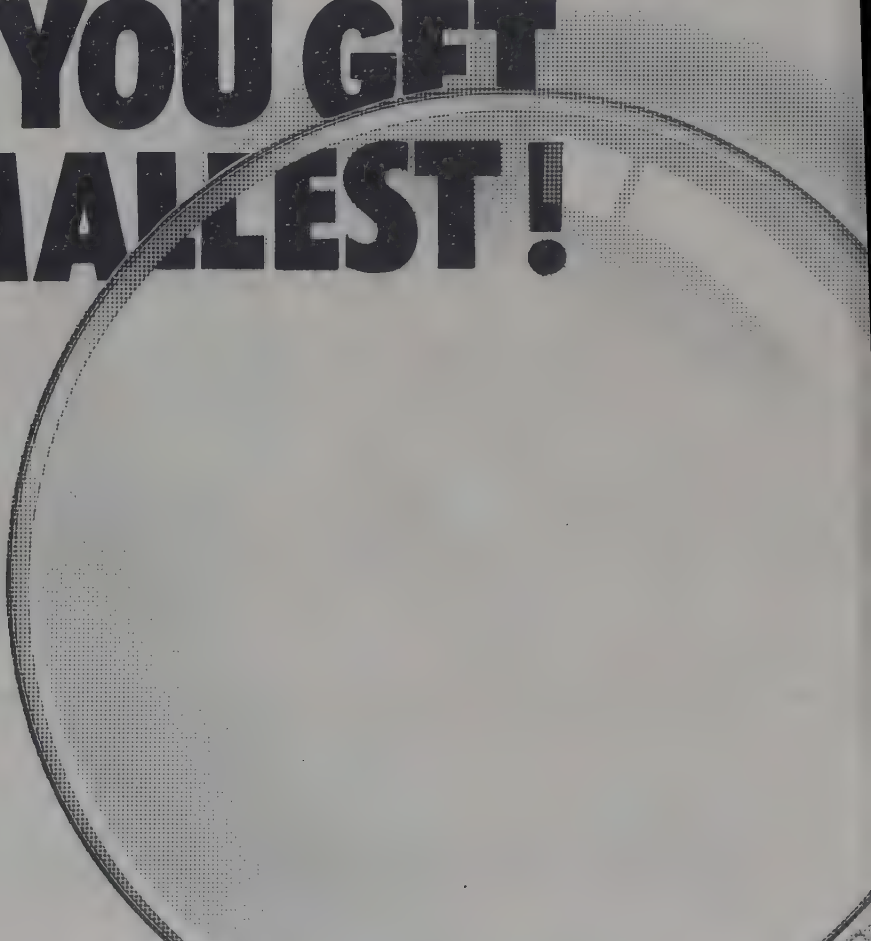

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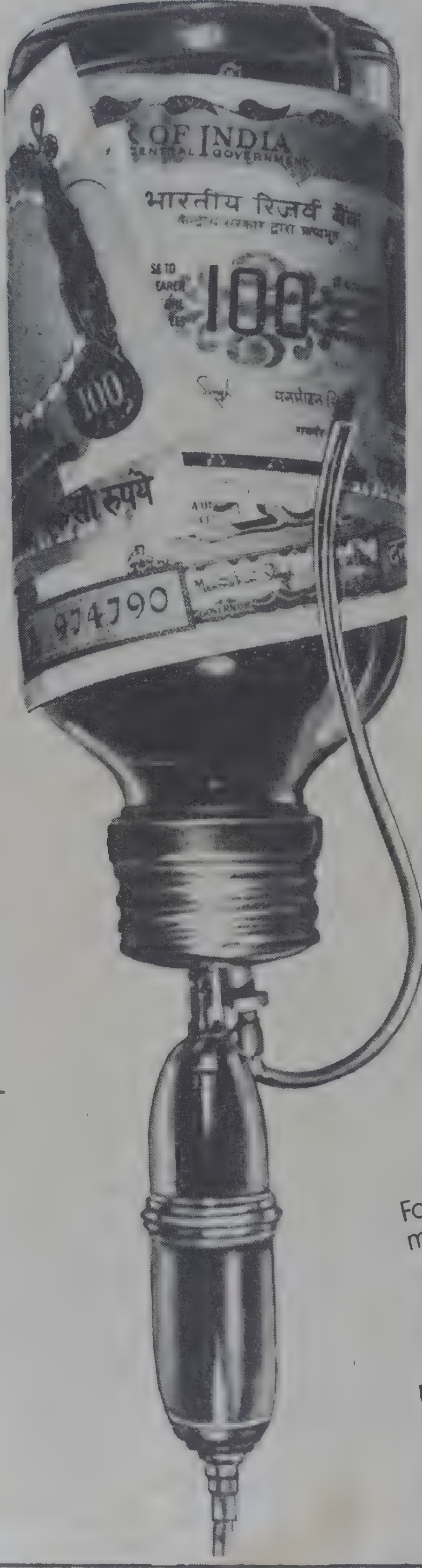

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Rs.0.95	Rs. 350	Rs.25,500	-
Rs.1.64	Rs. 600*	Rs.37,750	Rs. 5,250
Rs.2.30	Rs. 840*	Rs.52,750	Rs. 7,400
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Interpub/UI/88

According to B Le Marquis, project dictor of Spie-Capag, it was the responbility of the consultants (ES consortium) to obtain adequate data to able them to design the outfalls at andra and Worli. Cementation India imited (CIL), a local firm, was appoined by the BMC to do the initial drilling long the offshore alignment at both the utfalls. Cementation India Limited made several borings and on the basis of hese, an ES engineer, B. Onodera, proeeded to establish the nature of the soil t various levels on the ocean floor. This data in turn was supposed to be included n the tender documents provided to the contractors.

It was during the "core-bore" trenching done by Spie-Capag in 1986-87 that the seabed survey results were found to be otally inconsistent with that provided in the tender. Only one bore log prepared by CIL tallied with the information provided at the time of awarding the contract.

The remaining borelogs, it has been alleged, had apparently been invented and extrapolated by the BMC in order to give support to the soil conditions made in the tender documents. This was done with a view to further strengthen the illusion that there was rock at an average distance of less than 3 to 4.35 metres below the seabed. According to Spie-Capag, the seabed data furnished in the tender were designed to deceive the bidding contractors into quoting a lower rate for the works than they would otherwise have done.

Consequently, Spie-Capag stopped work in a sudden move in October last. The BMC, however, assigns different motives to Spie-Capag's stoppage of the work. They claim that Spie-Capag's work progressed very slowly — it cast nine pumps a per month as against the normal 2.3 per day. Generally a foreign company teams up with some local firm to facilitate the execution of the work. Spie-Capag tried to woo Bombay-based Larsen and Toubro failing which it tried to team up with Essar Construction Limited. The second attempt also failed ostensibly because "the central government did not give the sanction". However, insiders claim that the terms at which Spie-Capag wanted Essar to join in were not only unfeasible, they were also against all the norms that the union government has laid down for such alliances.

Sources in the BMC also allege that Spie-Capag was deliberately blocking the execution of the project in order to take over the consultancy contract from ES Consortium. Spie-Capag had not only recommended the termination of the ES consultancy contract, it had also promised to continue work and withdraw its demand for an additional Rs.11 crores if the consultants were removed. However, Spie-Capag could not shed any light on the allegations. They refused to speak to *Business India* as "the matter was *subjudice*".

Bandra outfalls: a white elephant

Finally, on 22 July 1987, the Standing Committee of the BMC in consultation with the World Bank terminated the contract of the Bombay II project consultants — ES consortium. "Despite the contract being drawn on a 'fixed fee basis', ES consortium walked away with Rs.23.19 crores as fees — Rs.7.43 crores more than the fees mentioned in the contract," bemoans Ramesh Joshi.

However, in December 1987, Spie-Capag, at the behest of the World Bank, arrived at a Memorandum of Understanding (MOU) with the BMC. The MOU recognised that the design of the works and specifications as described in the contract documents were based upon non-existent physical conditions of the seabed. According to the MOU, Spie-Capag would submit a fresh proposal to the BMC for design and construction of its remaining works on or before 10 January 1988; the proposal would be evaluated by the BMC using the services of a third party expert consultant and a fresh agreement would be entered into on or before 15 March 1988. Despite the fact that this proposal was considered after due analysis by the BMC's new consultants, Binnie and Partners (B&P), to be technically sound and reasonably estimated, the BMC elected not to implement it.

Having failed to enter into any agreement until March this year, Spie-Capag finally withdrew its services on its own. In a writ petition filed on 1 September 1988 in the Bombay High Court, the firm asked the Court to legalise its termination of the contract for the Bandra and Worli outfalls. It alleged that the BMC had perpetrated a fraud in collusion with ES consortium by providing incorrect data on the sub-soil survey of the seabed.

Spie-Capag has further asked for an injunction restraining the Corporation from removing its tools, plants, equipment etc. It has also demanded more than Rs.112 crores as damages for being forced to keep their men, machinery and materials idle. As the Corporation had awarded the contract to Spie-Capag against bonds guaranteed by Banque Indo Suez worth Rs.8.6 crores (US $ 40.5 million) the contractor company has also prayed for an injunction preventing the Corporation from encashing these bonds and securities. The Court, however, has asked the BMC for a show cause reply before granting any injunction. Incidentally, the BMC has yet to appoint a counsel for their defence.

The pace of work at the Corporation is indeed slow. Fresh tenders for resurvey of the seabed are still in the preparatory stages, seven months after the decision was taken to invite bids. "We have started the process," explains Deshpande, deputy municipal commissioner. "By March 1989, the resurvey work should be complete. The work on the two outfalls will commence by early 1991." The period of the contract of the corporation's consultants, B&P, however, expires in 1992.

Whether the entire Bombay II Sewerage project will be completed by then or not remains to be seen. What is more than obvious is that the project — for which the World Bank has already paid its commitment of US $ 196 million — has become a white elephant for the BMC as well as for the residents of the city who will ultimately have to shell out the extra cost in increased taxes. Dubbed as the largest sewerage project in Southeast Asia, the Bombay II Sewerage Project does indeed seem to be a "multicrore fraud" as the erstwhile chairman of the BMC Standing Committee, Pushpakant Mhatre said in a letter to the Commissioner. "The stench emanating from the sewerage project deal stinks worse than Bofors," Ramesh Joshi concludes.

■ SHEKHAR GHOSH

Top of the pack rating

Know what? Two Indian lending institutions have been assigned prime-1 (P-1) rating by the New York-based Moody's Investor Services. After several months of preparation which culminated in presentations made by a team each from the State Bank of India (SBI) and the Industrial Credit & Investment Corporation of India (ICICI) to Moody's, both secured a top of the pack rating.

While the ICICI rating applies to its existing $ 150 million Eurocommercial paper (ECP) programme (issued in October 1987), SBI's rating applies to its commercial paper issue in the US market. The ratings indicate that the issuers (SBI and ICICI) have a "superior ability" for repayment of short-term debt obligations.

SBI has won another feather in its cap by getting an A2 rating from the other world renowned rating agency — Standard and Poor's (S&P), also based in the US. This applies to a long-term debt obligation for a US $ 200 million issue in the US commercial paper market.

Ratings, rating agencies, and rating concepts are an established feature of US capital markets. Over the years they have also become popular in international finance markets. In 1987, with the creation of the Credit Rating and Information Services of India Ltd (CRISIL), a joint venture between the banks and ICICI, a beginning was made for independent rating of debentures and fixed deposits of Indian companies. It is expected that equity issues will soon be rated by CRISIL.

Eurocommercial paper along with Euronotes are short-term unsecured promissory notes that are issued in discount or interest-bearing form. Approximately $ 20 billion of these short-term debt instruments are outstanding in the market. However, the US commercial paper market is very much larger with outstandings of US $ 300 billion. It is a prerequisite for any issuer of US commercial paper to get a credit rating before the issue. Which is why SBI first got a rating for its $ 200 million US commercial paper issue which opened on 20 September. The same does not apply to the Eurocommercial paper markets.

What purpose does a credit rating serve? "The credibility of the borrower (issuer) gets established," says Lalitha Gupte, assistant general manager, ICICI. "A rating enables you to bring down costs. A few months from now I will be able to say how much," she adds.

Gupte: "borrowing from the capital markets works out cheaper"

Obtaining an international credit rating is part of the long-term borrowing strategy of ICICI and the government of India. "We are going to borrow not only from multilateral agencies but also from the capital markets which works out cheaper," says Gupte.

In the international market, many investors usually go in for rated paper. The reason is simple. An investor in Japan, for instance, is not in a position to do a detailed analysis of a sovereign risk. The investor may not have the information and the wherewithal to do an analysis of, say India. "So investors look for a credit rating by Moody's or S&P's which is a measure of the credit-worthiness of issuers whether they are companies, banks, financial institutions or government-owned agencies," comments Gupte.

Increasingly, investors are relying on formal credit ratings as major bankruptcies and debt reschedulings reduce the credibility of less formal credit judgements. Credit ratings help investors by providing an easily recognisable, simple tool to estimate the credit quality of unknown issuers — municipal issuers, sovereign governments such as the UK and Finland, and companies such as National of Japan and International Computers, UK. Many issuers sell bonds with varying security pledges, such as first mortgage bonds and sinking fund debentures, and also issue bonds that are on call and are convertible.

A handbook published by S&P says,
"Ratings are of value only as long as
are credible. Credibility arises prim
from the objectivity which results
the rater being independent of th
suer's business. The investor is willin
accept the rater's judgement only w
such credibility exists. When enough
vestors are willing to accept the ju
ment of a particular rater, that r
gains recognition as a rating agen
Both S&P and Moody's have no gov
ment backing or mandate. But over
years both have evolved and today t
ratings are considered the top two cr
ratings of the world.

·Says S.Gupta, chief general mana
international division of SBI, "The c
mercial paper market has several defi
advantages over the loan syndicat
market." According to him while the
mer is long-term in nature (2-3 yea
the CP market maturity ranges betw
seven days and 270 days. "By its v
nature the loan syndication market
very small as the source of funds is li
ited to the banks. In contrast, commerc
paper issued in the capital market hav
much wider source of funds. It incluc
mutual companies, insurance compani
corporate money managers and trust
says Gupta. SBI entered the CP mar
because of the several advantages it
fered: cheaper and bigger markets a
wider publicity among investors. "C
rently SBI is known to a hundred ban
After the CP issue and once there is act
trading in the exchanges SBI's acc
would widen to 10,000 banks," predi
Gupta. Once investors become famil
with India and Indian institutions, t
country can improve its rating even f
ther from the current A-2 rating to pos
bly a A-1 rating for long-term debt. "T
will not happen overnight. But it is wo
it," says Gupte.

How much do ratings cost? In t
Moody's investor services, the fee
short-term bank obligation ratings is
$ 10,000 basic annual appraisal cha
plus a supplementary quarterly char
The maximum supplementary charge
$ 6,000. The basic annual apprais
charge for long-term ratings is $ 15,0
Which is a small price for greater acc
and deeper penetration at competiti
costs in the international finan
markets.

■ BASUDEV DA

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To understand the reason why Tata Telecom has invested so much, you'll need to know the business Tata Telecom is in.

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Tlx: 031-71407.

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TECHNOLOGY FOR THE FUTURE WORLD

JERRY RAO

NRI INVESTMENT

Housing could be the answer

Given that fresh NRI money is the need of the hour, innovative options are worth considering on how it can be accessed. The basic objective of any new initiative ought to be to get money that has not previously contemplated entry and money that will actually stay. Considering the fact that, currently, investments in financial assets (bank deposits, bonds, equities) are primarily in repatriable categories, it is unlikely that there will be much investment in such financial assets on a non-repatriable basis. One area the inflow of NRI funds can be increased considerably is investment in real estate or housing. With the return-to-roots theme being discussed so often these days, this proposal could have major significance.

Many NRIs are likely to view such an investment, as one made in a retirement home for their old age. Thus the issue of repatriation will not arise. And many NRIs will not mind investing on a non-repatriable basis because one's bond towards one's home are clearly different and distinct from connections with investments in some company's equity or as bank deposits. It is a known fact that the world over, private wealth is mainly invested in real estate, primarily housing stock.

However, it should be understood that logically NRIs are not going to invest in houses for rental purposes. They will either house family members or keep the premises vacant till they come back to India. This follows simply because the laws in India, relating to access, possession, right to occupy, eviction, etc, are clearly in favour of the tenant. In fact, the general feeling is that once a house has been rented out, the tenant cannot be evicted or removed.

But investments in houses which have to be kept vacant are not attractive, and rightly so, from two viewpoints. First, the NRI investor in housing stock would be keen to ensure that, apart from the initial outlay, he does not have ongoing cash outflows. In other words, some income on the investment — necessarily rent — must cover payments like municipal taxes and society and maintenance charges. It will be difficult, to the point of impossibility, to persuade persons to invest a large sum in a house and then keep remitting more and more funds for maintenance and overheads each year.

Second, the principal purpose of encouraging investment in housing is to make more housing stock available to more people and thereby bring down rents. Keeping houses and flats vacant will not serve this purpose at all. In fact, by keeping vacant housing, one would contribute to the creation of isolated pockets, leading to pri escalations and social tensions.

Leverage would of course be desirable fr the investors' point of view. They would like borrow as much as possible in rupees to finan their housing investment. This, however, do not meet the nation's objectives. We would li them to borrow as few rupees as possible an remit in as much foreign exchange as possibl

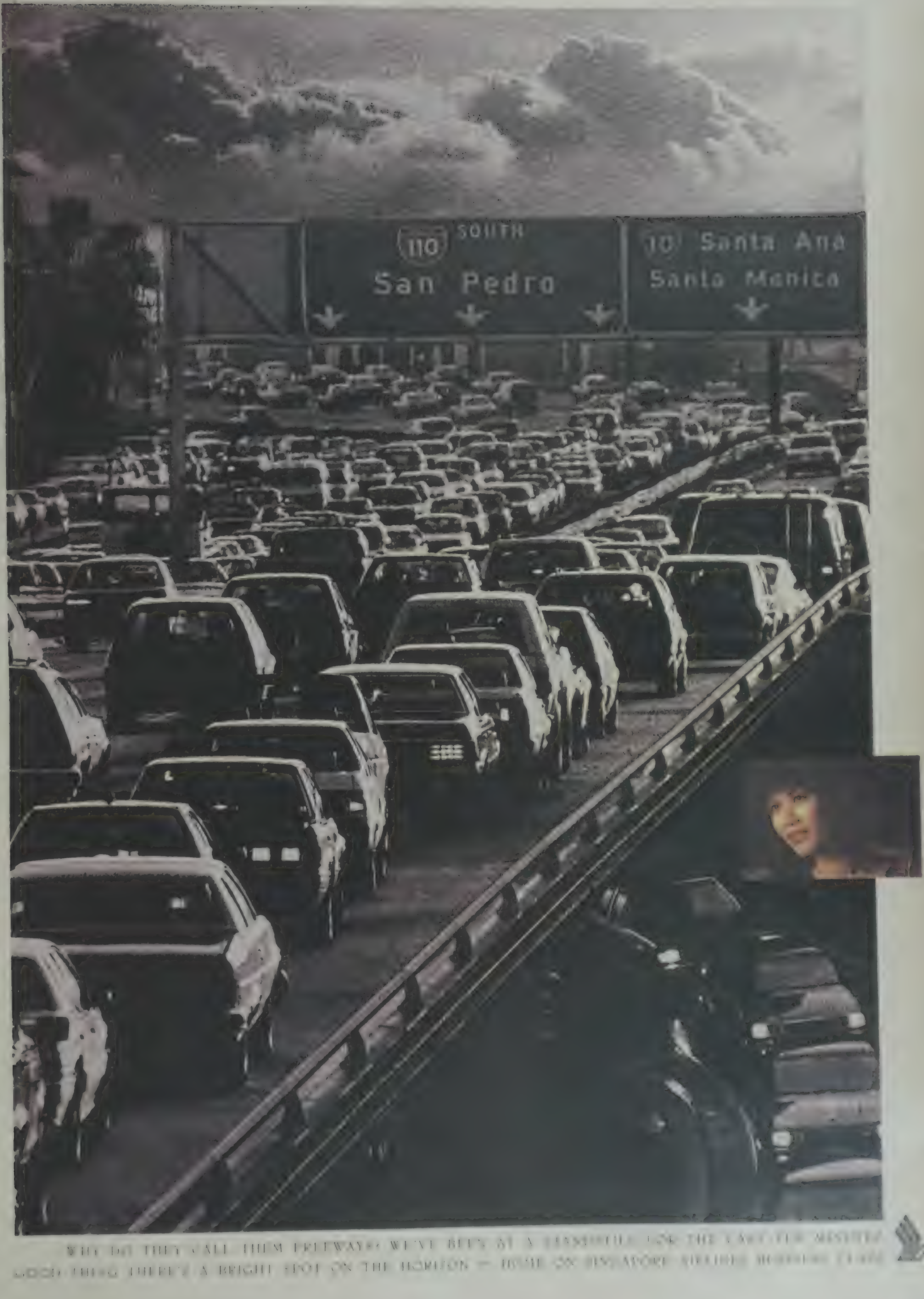
Keeping all these points in mind, a workab proposal could be along the following lines.

- Investments should be allowed only for the a quisition on construction of new houses. The sta and local governments should be asked to dema cate areas outside specified cities where the leg tenets of ownership and eviction are not presen or applicable. Builders and land developers mus only be allowed to sell houses in such marke areas to NRIs against payments made to the through authorised foreign exchange dealers.
- Builders to be permitted to import special fix tures and should be encouraged to set up an organise housing maintenance companies. Thes companies to maintain, manage and rent ou houses or flats on behalf of NRIs.
- Rental income less maintenance charges, property taxes, fees paid on partial rupee finance to b liable to Indian income tax at a flat rate.
- Net amount to be credited to NRI accounts an to be available for the use of NRIs upon visits t India, but not to be repatriable.
- Transfer of property from one NRI to anothe with consideration paid outside India to be allowed by simple registration process without incidence of income/capital gains tax. Stamp duties to be minimal. Even transfers to a resident to be permitted freely and gains to be exempt from tax, but no permission to repatriate proceeds which have to be credited to an NRI account.
- Gifts of these properties to other NRIs or t residents to be exempt from gift tax.

However, there may be some problems. First, the need to involve a variety of state governments in ensuring appropriate protection from rent control and tenancy rights legislation will present a problem of logistics. Second, granting of what may appear to be special privileges to NRIs may give rise to a demand for similar facilities for residents.

This, however, may represent a boost for the housing industry in general. As long as the thrust remains on new construction that adds to housing stock in the country, such an approach merits serious consideration. With the NRIs, there is the added plus point of non-repatriable investment flows that augment foreign exchange reserves.

The author is vice-president and country business manager, consumer services group, Citibank. The views expressed in this article are entirely the author's and not the bank's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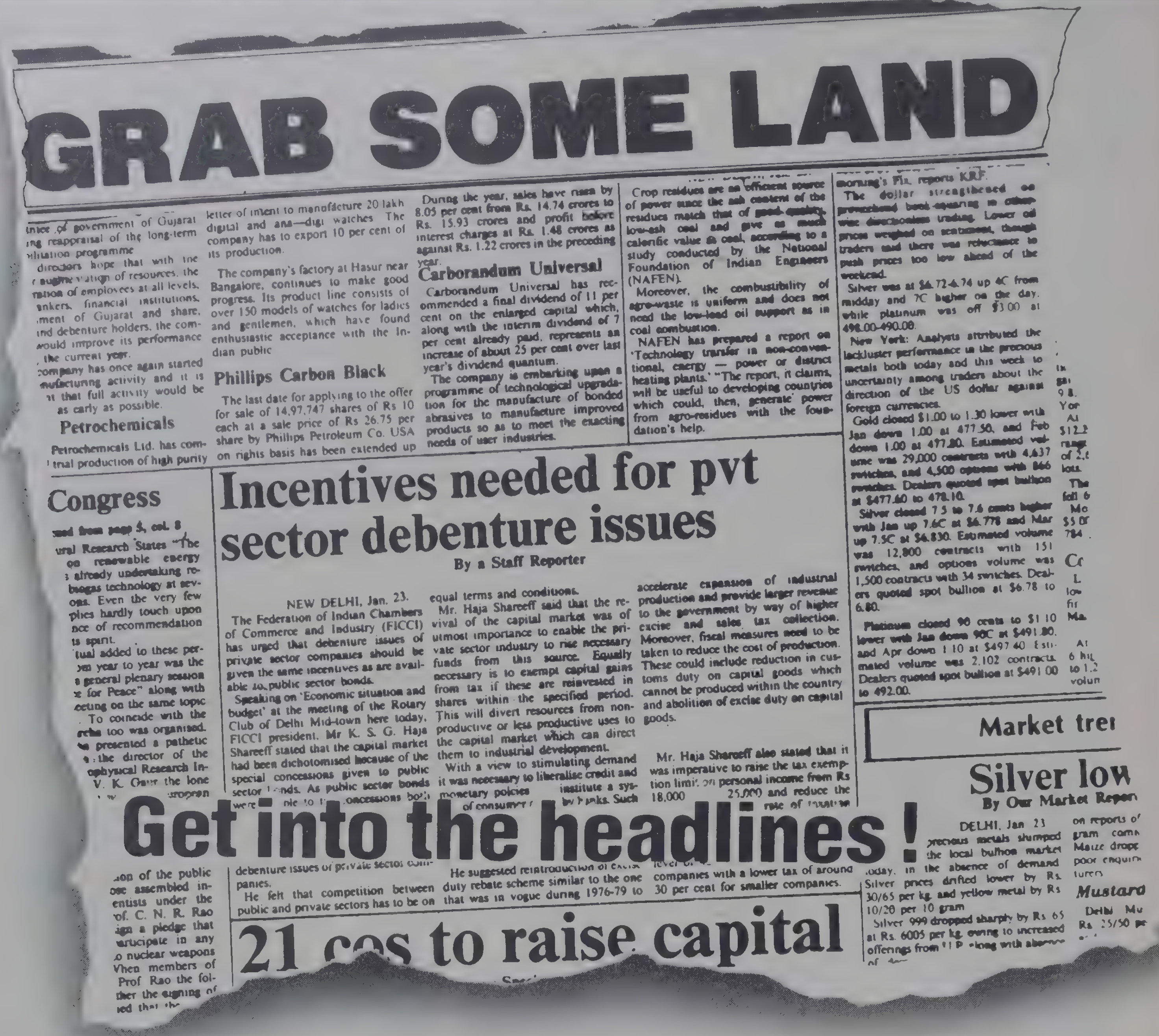

GRAB SOME LAND

tnice of government of Gujarat ing reappraisal of the long-term ilitation programme

directors hope that with the augmentation of resources, the ration of employees at all levels, ankers, financial institutions, ment of Gujarat and share, nd debenture holders, the company would improve its performance , the current year.

company has once again started nufacturing activity and it is at that full activity would be as early as possible.

Petrochemicals

Petrochemicals Ltd. has com- trial production of high purity

letter of intent to manufacture 20 lakh digital and ana—digi watches. The company has to export 10 per cent of its production.

The company's factory at Hasur near Bangalore, continues to make good progress. Its product line consists of over 150 models of watches for ladies and gentlemen, which have found enthusiastic acceptance with the Indian public.

Phillips Carbon Black

The last date for applying to the offer for sale of 14,97,747 shares of Rs 10 each at a sale price of Rs 26.75 per share by Phillips Petroleum Co. USA on rights basis has been extended up

During the year, sales have risen by 8.05 per cent from Rs. 14.74 crores to Rs. 15.93 crores and profit before interest charges at Rs. 1.48 crores as against Rs. 1.22 crores in the preceding year.

Carborandum Universal

Carborandum Universal has recommended a final dividend of 11 per cent on the enlarged capital which, along with the interim dividend of 7 per cent already paid, represents an increase of about 25 per cent over last year's dividend quantum.

The company is embarking upon a programme of technological upgradation for the manufacture of bonded abrasives to manufacture improved products so as to meet the exacting needs of user industries.

Crop residues are an efficient source of power since the ash content of the residues match that of good-quality, low-ash coal and give as much calorific value as coal, according to a study conducted by the National Foundation of Indian Engineers (NAFEN).

Moreover, the combustibility of agro-waste is uniform and does not need the low-lead oil support as in coal combustion.

NAFEN has prepared a report on 'Technology transfer in non-conventional, energy — power or district heating plants.' "The report, it claims, will be useful to developing countries which could, then, generate power from agro-residues with the foundation's help.

morning's Fix, reports KRF.

The dollar strengthened on preweekend book-squaring in otherwise directionless trading. Lower oil prices weighed on sentiment, though traders said there was reluctance to push prices too low ahead of the weekend.

Silver was at $6.72-6.74 up 4C from midday and 7C higher on the day, while platinum was off $3.00 at 498.00-490.00.

New York: Analysts attributed the lackluster performance in the precious metals both today and this week to uncertainty among traders about the direction of the US dollar against foreign currencies.

Gold closed $1.00 to 1.30 lower with Jan down 1.00 at 477.50, and Feb down 1.00 at 477.80. Estimated volume was 29,000 contracts with 4,637 switches, and 4,500 options with 866 switches. Dealers quoted spot bullion at $477.60 to 478.10.

Silver closed 7.5 to 7.6 cents higher with Jan up 7.6C at $6.778 and Mar up 7.5C at $6.830. Estimated volume was 12,800 contracts with 151 switches, and options volume was 1,500 contracts with 34 switches. Dealers quoted spot bullion at $6.78 to 6.80.

Platinum closed 90 cents to $1.10 lower with Jan down 90C at $491.80, and Apr down 1.10 at $497.40. Estimated volume was 2,102 contracts. Dealers quoted spot bullion at $491.00 to 492.00.

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Congress

nued from page 5, col. 8

ural Research States "The on renewable energy s already undertaking re- biogas technology at sev- ons. Even the very few plies hardly touch upon nce of recommendation ts spirit.

tual added to these per- om year to year was the a general plenary session e for Peace" along with eeting on the same topic . To coincide with the rcha too was organised. presented a pathetic the director of the ophysical Research In- V. K. Gaur the lone uropean

ion of the public ose assembled in- entists under the of. C. N. R. Rao ign a pledge that articipate in any o nuclear weapons When members of Prof Rao the fol- ther the signing of ed that the

Incentives needed for pvt sector debenture issues

By a Staff Reporter

NEW DELHI, Jan. 23.

The Federation of Indian Chambers of Commerce and Industry (FICCI) has urged that debenture issues of private sector companies should be given the same incentives as are available to public sector bonds.

Speaking on 'Economic situation and budget' at the meeting of the Rotary Club of Delhi Mid-town here today, FICCI president, Mr K. S. G. Haja Shareeff stated that the capital market had been dichotomised because of the special concessions given to public sector bonds. As public sector bonds were ble to concessions both

debenture issues of private sector companies.

He felt that competition between public and private sectors has to be on equal terms and conditions.

Mr. Haja Shareeff said that the revival of the capital market was of utmost importance to enable the private sector industry to rise necessary funds from this source. Equally necessary is to exempt capital gains from tax if these are reinvested in shares within the specified period. This will divert resources from non-productive or less productive uses to the capital market which can direct them to industrial development.

With a view to stimulating demand it was necessary to liberalise credit and monetary policies institute a system of consumer by banks. Such

He suggested reintroduction of excise duty rebate scheme similar to the one that was in vogue during 1976-79 to accelerate expansion of industrial production and provide larger revenue to the government by way of higher excise and sales tax collection. Moreover, fiscal measures need to be taken to reduce the cost of production. These could include reduction in customs duty on capital goods which cannot be produced within the country and abolition of excise duty on capital goods.

Mr. Haja Shareeff also stated that it was imperative to raise the tax exemption limit on personal income from Rs 18,000 25,000 and reduce the rate of taxation level of companies with a lower tax of around 30 per cent for smaller companies.

Get into the headlines!

21 cos to raise capital

Spec

Market tre

Silver low

By Our Market Repor

DELHI, Jan 23

precious metals slumped the local bullion market today, in the absence of demand. Silver prices drifted lower by Rs 30/65 per kg and yellow metal by Rs 10/20 per 10 gram.

Silver 999 dropped sharply by Rs 65 at Rs 6005 per kg owing to increased offerings from U P along with absence of

on reports of gram comn Maize dropp poor enquirn turers

Mustard

Delhi Mu Rs 25/50 pe

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Sales tax exemption : 50% of the fixed capital investment for small scale units and 40% of the fixed capital investment or Rs. 60 lacs, whichever is less, for medium/large scale units. For a period of five years from the date of starting production.

Sales tax deferment : 45% of the fixed capital investment for small scale units and 30% of the fixed capital investment or Rs. 40 lacs, whichever is less, for medium/large scale units. For a period of five years from the date of starting production.

This gem of a location is just one of the many that Gujarat has to offer. All complete with necessary infrastructure. And situated close to urban conglomerates.

Kerala is a site worth seeing. Check it out right away!

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If you are in Bombay, contact

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Tel. : 222165, 222146, 222087, 222474.

Shilpi 2 GC 28/88

ELCOT

Fresh energies for electronics

The governor's package of incentives seems to have had an energising effect on the electronics industry in Tamil Nadu. The state has been lagging behind neighbouring Andhra Pradesh and Karnataka, and it has been relegated to the seventh position in the country. "For the last two years, preceding President's rule, no major products in electronics received clearance," observes an industry spokesman. Industrialists have still not forgotten the manner in which the Texas Instruments project was lost to neighbouring Karnataka.

Under the package, sales tax concessions granted have rendered products manufactured in the state cost competitive. The electronics industry in the state is making efforts to get on an even keel while the climate is encouraging.

Leading the pack in this attempt is the state-owned Electronics Corporation of Tamil Nadu Ltd (ELCOT). "Hard decisions have been taken; the corporation has disinvested in projects which have not been worthwhile and has simultaneously taken on new projects with private sector promoters in order to reach a turnover of Rs.43 crores by 1989-90, from the current turnover of Rs.15 crores", says Elcot chairperson, S. Sathyabama.

Elcot has, since 1980-81, accumulated losses of Rs.3 crores. During 1987-88, its net loss was reduced to Rs. 6.7 lakhs, and as per its projections, it should reach a no loss position this year. "Our accumulated losses will be wiped out by the end of the Seventh Plan," says Sathyabama. "Most of our units are either expanding capacity or are on the verge of declaring a dividend," she adds.

This will include Sears Electronics Ltd, the joint sector TV manufacturing company; Elcot Power Controls Ltd and Kody Elcot Ltd; Telematics Systems Ltd, which manufactures push button telephones instruments; and Infotech Ltd, which undertakes turnkey computer projects.

Available resources will have to be invested wisely in order to maximise returns. (The budgetary allocation for the Seventh Plan was Rs.10 crores, though this is likely to increase to Rs.13 crores by the end of the plan period.) As a first step, two companies have been privatised. Elcot disinvested its holding in Advent Computer Services Ltd, a small venture engaged in software exports, in which it had originally sunk Rs.2.5 lakhs. "We realised that even if this company paid a dividend of 200 per cent, the return on investment would not render our involvement worthwhile," says Sathyabama. Its public sector aluminium electrolytic capacitor project has also been converted into a joint sector venture with a private promoter from Madurai.

New investments henceforth will be made only in joint sector companies. "This is necessary since none of our companies have stabilised sufficiently to merit additional borrowing from the market," explains Sathyabama. Elcot has plans to move out of consumer electronics. Besides catering to the needs of the defence sector, it will be involved with telecommunications and professional electronics. It will continue to make TVs, but has decided to opt out of watch making. Its attempt at manufacturing digital watches based on the Hitachi module supplied through Semi Conductors Ltd cost it a loss of Rs.8 lakhs. Competition from smuggled watches, company sources say, resulted in a capacity utilisation of a mere 15 per cent.

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Observers of the electronics industry feel that the corporation is now learning to make the right choices for projects. Also, according to a company source, "With the encouragement given to electronics in the state, larger groups like Amalgamations, Peico and Indchem Electronics are now willing to team up with Elcot in new ventures." The first, ie, Amalgamations, is to set up a 100 per cent export unit for printed circuit boards at the Madras Export Processing Zone with Elcot. Peico is involved in a venture to manufacture rural electronic exchanges with technical knowhow from TRT of France. Indchem Electronics and Elcot will together manfuacture micro-communication equipment for the railways and the ONGC. A project to manufacture soft filters for TV with Anand Electronics is on the cards. With Electroscan Ltd, there are plans to manufacture high voltage line output transmitters to be used in colour TVs.

"The climate has certainly changed since 1987, when I took over. We were then trying to push through a few select projects. Now we are flooded with enquiries and project proposals," says Sathyabama. So, on the drawing boards are projects to manufacture cable harness systems, industrial safety control systems indigenously developed metering systems and instruments and hybrid circuits — in collaboration with Sietex, a local SSI success. Elcot hopes dividends within five years of starting commerical production in these projects.

"It is now time for the centre to step up public sector investment in electronics in Tamil Nadu, so that the state can gain ground in the field," says M.M. Rajendran, chief secretary, Tamil Nadu. Hindustan Teleprinters Limited and BEL's supporting centre, to cater to the Avadi tank factory, are about the only instances of such investment in the state. "The state can not even boast of a research laboratory in electronics," says one industry source.

In the absence of major public sector investment, "the spread effect with smaller units coming up has just not happened", observes Sathyabama. However, Elcot is making an attempt in this direction. "Hosur is now being promoted as a centre suitable for locating electronic units," she says. Coimbatore and Madurai also present several possibilities. While the former is noted for its light engineering units, the latter is geared towards auto ancillaries. "The attempt is to use that reservoir of expertise to encourage units related to these field," says Sathyabama.

The other drawback which Elcot had, particularly in the earlier days, was the absence of a technocrat to head its operations. "For the first time, we have a person like G.V. Ramakrishna, who understands electronics," comments an industrialist.

Elcot's efforts are being watched keenly, as they signify fresh hopes for the electronics industry in the state

■ DHARANI K PANI

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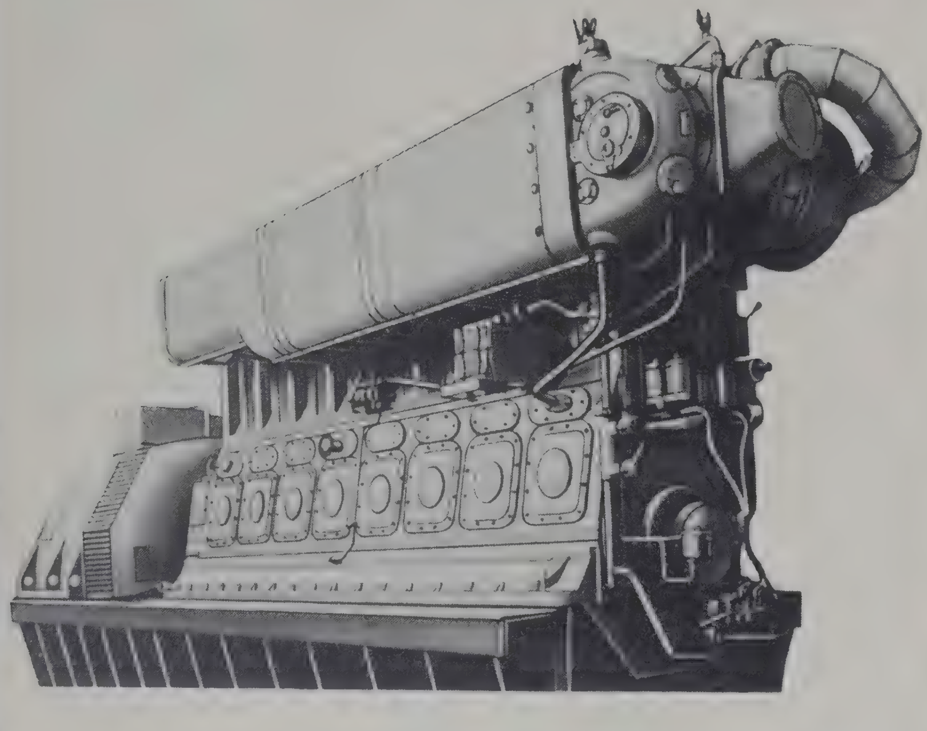

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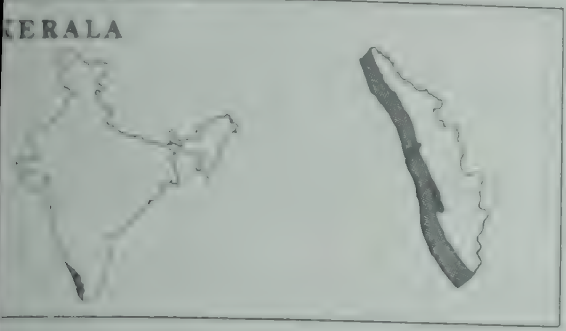

Government-industry dialogue at last?

Both the LDF government in Kerala and the state's industrialists seem to be realising that constant battles will get them nowhere. On 15 August, the two sides got together at a round table conference to discuss the problems faced by industry and the ways in which entrepreneurship would be encouraged. The theme of the conference: "Creating a climate for industrial growth and employment." On the one hand, were representatives of chambers of commerce and industry, organisations of planters, employers and industrial consumers and on the other, the chief minister with the ministers of industry, finance and power, top officials of the industries and electricity departments and the board of revenue, and the vice-chairman of the state planning board.

The industry's point of view had been laid down in a background paper on the problems and prospects of Kerala's industrial scene. One major hurdle is the negative image of the state that most entrepreneurs harbour: brittle industrial relations; high wages without correspondingly high productivity; a government which shuns modernisation in industry. Add to this the current power crunch, and you have some very powerful reasons not to invest in Kerala.

Industry in Kerala wants the state government to "demonstrate by words and deeds" its commitment to industrial development, including automation and mechanisation. And this should be supported by discouraging "unlawful" trade union activities. As one committee had observed, no policy statement on industrial relations by a coalition government will carry conviction if it is not supported by a joint declaration by the constituent political parties.

In improving productivity standards, industry wants the state government to propagate collective agreements that include productivity schemes too, besides the usual wage and bonus components.

For power, since the gestation period for new projects is 7-10 years, industry proposes a short-term contingency plan. This stresses better maintenance, reduction of transmission and distribution losses and rapid completion of ongoing projects.

According to industry, the state's development planning has been lopsided. The social services sector has got top priority at the expense of agriculture and industry. Moreover, say industry representatives, the state's educational programme is not employment-oriented. Rather, it generates individualism, a preference for salaried jobs and no "entrepreneurial elan".

This calls for recording priorities in development expenditure, say Kerala's industrialists. Industry gets merely 7-8 per cent of budgetary allocation, while education and health services grab over 70 per cent of revenue expenditure. The resulting pressure on the budget necessitates frequent changes in tax rates. Moreover, Kerala's sales tax legislation is far too complex and a major impediment to growth. This has pushed some trading activity to neighbouring states.

Industry also feels that investment clearance is too cumbersome and time-consuming in Kerala, notwithstanding the government's announcement of an escort service. A prospective entrepreneur has to cope with nearly 14 agencies before he can set up shop. Industry's suggestion for a solution is the single window, single counter approach.

One point on which the government and industrialists agree is the need for greater central investment in the state. During 1985-86, the share of central investment in non-departmental undertakings was Rs.920 crores out of a total investment of Rs.56,695 crores — a meagre 1.6 per cent.

Cochin port, an all-weather seaport, and still the linchpin of Kerala's commerce and trade, needs to be modernised, especially in container operations.

The Kerala government's responses at the round table were not unpredictable. Chief minister E.K. Nayanar said his government would not tolerate violence and gheraos. But the police would not be used to suppress peaceful agitations. He also said industry should not blame labour for every problem.

According to the industries minister, K.R. Gouri, the government recognised the need to link income to output through incentive schemes, provided these did not go against worker interests. She also declared the rubber-based industry a thrust area with special concessions for purchase and sales tax, plus capital subsidy.

Defending the recent hike in the electricity tariff, T. Sivadasa Menon, electricity minister, stressed the need to conserve energy. By the turn of the century the demand-supply gap would be 20,000 MU. Finance minister Viswanatha Menon brought no cheerful news about the state's tight ways and means position. He asked for concrete suggestions on how to boost the state's revenue without hurting commerce and industry. Menon also said he was ready to talk again with the tea trade to prevent the auctions being shifted from Cochin to Coimbatore.

Perhaps the only tangible outcome of the conference was the call to set up a compact senior-level core committee to meet twice a year to interact between government and industry. Despite the plethora of committees, this is decidedly a sound idea — if the outcome is not confined to mere verbiage.

Clearly, industry and government in Kerala are a long way from finding comfortably common ground. Industry's opinions on development expenditure are unlikely to go down well with Kerala's government and its people. After all, as internationally acknowledged, the state's physical quality of life is superior precisely because of such expenditure.

What is clear, however, is the need for a receptive and candid dialogue. And that now seems to be possible in Kerala.

■ K G KUMAR

Kerala's industrial production

(Base 1970-71 = 100)

Year	General index of industrial production
1980-81	187.10
1981-82	180.51
1982-83	158.59
1983-84	139.06
1984-85	183.57
1985-86	200.60
1986-87	209.00

Source: Directorate of Economics and Statistics, Kerala

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Getting the word across has never been easy. Surprisingly, even in this age of information, it remains fraught with problems. The mail can slow down to a crawl, or vanish entirely. Telex lines always seem to be down when a crisis comes up. Or a perfectly sensible message emerges as a hopeless scramble. So you pick up the telephone. And by the time you've finished screaming across 1000 miles of noise, you've run up a hefty STD bill. Which might still be acceptable compared to what a courier charges.

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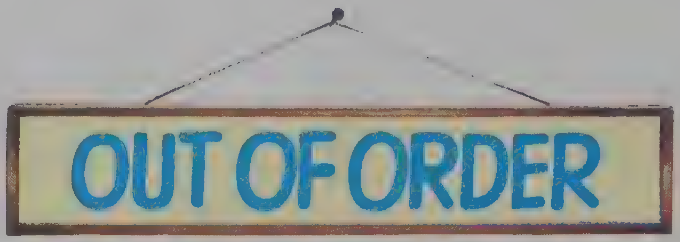

IT REMEMBERS—TO SAVE YOU MONEY.

The automatic transmission functions of the TEXTEL make it possible to take full advantage of night-rates. A stack of messages could be stored in the memory and sent at the required time. Likewise, all incoming messages are stored in the memory for future recall and reference. In addition, all messages, whether incoming or outbound, are automatically printed out, complete with relevant details. A unique feature
is the battery-protected memor
immune to power failure.

While the speed of sending m
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and correct them automatically. T
TEXTEL even goes beyond this. I
compensates for any line fault or
disturbance by slowing down
transmission to the maximum rat
that will result in no errors being
generated. And it does all this

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tomatically, with no need for human ervention. Which also makes it a rfect long-haul terminal.

IAT ARE THE OPTIONS?

All of which really stacks up to what said in the beginning. That the XTEL is the ideal messaging stem. But in all fairness, you should ow what options you can find in market today.

There are, of course, the telephone, ex, mail, and courier, which we've eady gone over. There is the magic achine—FAX. Even discounting its tronomical cost, there remains the ct that only a miniscule portion of essaging needs to be pictorial.

And there are other messaging stems. At least, they are called as uch. Even though they weren't esigned for messaging in the first ace. Expensive and over-equipped, ey offer a great many features that u are highly unlikely to use, while

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compromising on what is really your primary requirement—messaging. Rather than build up a case against these options, we'll just return you to the case we have stated above—for the TEXTEL.

DEDICATED TO THE JOB.

The TEXTEL's main advantage is the fact that from the very beginning it has been intended for one specific purpose—messaging. This single-minded application can be summed up in one word—dedication. TEXTEL is the ideal messaging solution because it is the only dedicated messaging system.

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Speech Delivered by Shri T S Santhanam, Chairman,
at the Thirtyfifth Annual General Meeting of the Company
held on 16th September 1988, at Madras.

Ladies and Gentlemen,

I have great pleasure in welcoming you all to the Thirtyfifth Annual General Meeting of your Company.

The Directors' Report and Audited Accounts for the year ended 31st March, 1988, have been with you for sometime and with your permission I shall take them as read.

WORKING RESULTS

You would have observed from the Annual Report that your Company had another successful year of operation in 1987-88, scaling new heights in various areas of performance. The total disbursements made by the Company during the year crossed the Rs. 100.00 crore mark. The total receivables under Hire Purchase and Leasing exceeded Rs. 228.00 crores at the year end. Your Directors have recommended a higher dividend of 20% for the year.

LENDING NORMS FOR HIRE PURCHASE AND LEASING COMPANIES

I welcome the revised guidelines announced by the Reserve Bank of India for lending by commercial banks to Hire Purchase and Leasing Companies. These norms are based on the recommendations of the Dahotre Committee. As far as Leasing Companies are concerned, the Reserve Bank of India have accepted the recommendations of the Dahotre Committee in full with regard to lending by commercial banks to the extent of 3 times the net-owned funds within the overall ceiling on borrowings of 10 times the net-owned funds.

In the case of Hire Purchase Companies, however, the same guidelines applicable to Leasing Companies have been adopted instead of the limit of 4 times the net-owned funds for bank lending in addition to 10 times the net-owned funds for public deposits recommended by the Committee. This may cause hardship to some Hire Purchase Companies in availing bank credit. The new parameters laid down by the Reserve Bank of India do not affect your Company in view of the substantial additions to reserves made year after year, in the past several years.

It will be pertinent to observe that the Reserve Bank have also directed the banks to take note of the depreciation or amortisation policy adopted by the companies in respect of their leased assets in arriving at credit limits. In this context, it may be noted that the Written Down Value method of Depreciation followed by your Company more than meets the guidelines and is widely appreciated by financial institutions, investors and depositors.

ACCOUNTING POLICIES

Consequent to the coming into force of the Companies (Amendment) Act, 1988, your Company has extended "accrual" basis for income-recognition and adopted the rates of depreciation under Written Down Value method as prescribed in Schedule XIV. The Institute of Chartered Accountants of India, it is understood, are finalising the Guidance Note on Accounting for Leases, to be applied prospectively, which may require amortisation of leased assets during the primary period. On the basis suggested in their draft guidelines, **even if applied retrospectively to your Company, the cumulative depreciation provided upto 31.3.88 is well above the amortisation charge by over Rs. 10.00 crores.** This has been made possible by the conservative policy of depreciation adopted by your Company, and the composition of the leasing portfolio under which long term leases for 8 years and above, constitute over 50%.

It will be relevant to note here that out of about 400 leasing companies promoted during the 80's, over 300 companies are either dormant or have diversified into other fields. Of the remaining companies, hardly a score of them amortise leased assets during the primary lease period itself.

MOTOR VEHICLES BILL 1988

The Motor Vehicles Bill 1988 has been passed by the Parliament and is awaiting the President's assent. This Legislation has many new provisions which safeguard the interests of hire purchase concerns.

SUBSIDIARY COMPANY

India Equipment Leasing Limited completed its first full year of operations in March '88. It made a Profit after tax of Rs. 40.75 lakhs, which has, with the consent of its shareholders, been ploughed back.

PROSPECTS

The total disbursements in the first five months of the current financial year aggregated to Rs. 43.48 crores as against Rs. 41.19 crores for the corresponding period in the previous year. The Stock-on-Hire and Lease Receivables as at 1st September, 1988, were Rs. 159.54 crores and Rs. 79.21 crores respectively.

Hire Purchase

The production of commercial vehicles has started showing improvement and the targets for Seventh Plan may be achieved. After four successive years of drought in many parts of India, we had good monsoon during 1988. There are indications of increase in agricultural production and consequent all-round growth in economic activities. Demand for vehicles, which has been stagnant for the past few years, will pick up and there is scope for increase in hire purchase business of transport vehicles, both in terms of units and quantum of finance.

However, there is intense competition in hire purchase business with many companies entering the field. Your Company is expanding its operations in Maharashtra and extending its activities to Gujarat. Your Company has substantially increased its hire purchase portfolio of passenger cars, jeeps and light commercial vehicles. Therefore, your Company expects a satisfactory growth in hire purchase business for the year 1988-89.

Leasing

In Leasing, there is keen competition from term lending institutions and subsidiaries of commercial banks. With the liberalisation in industrial licencing announced by the Government of India, and the improvement in the power generation in many States, there is bound to be a greater level of economic activity and industrial growth. However, in view of stiff competition, your Company hopes to register a marginal growth in leasing business in the current year.

Other Financial Services

Your Company has extended its activities by way of Factoring and other financial services.

DEPOSITS

I would like to express my grateful thanks to all the depositors for their continued support, Right from inception, your Company has been accepting Deposits only directly from the investors without any intermediaries. It has not offered any incentives to attract deposits, but grown purely on the strength of its reputation for financial strength, good administration, and dedicated and personalised service. Depositors' safety and security has been the watchword of your Company, which is the best incentive we can offer in the long term interests of the Depositors. Your Company will continuously endeavour to maintain and improve its services to its growing family of over 1,16,000 depositors.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and on my own behalf, I take this opportunity to convey our sincere thanks to the customers, depositors, bankers and shareholders for their active support and co-operation. I also wish to place on record my sincere appreciation of the good work done by all the employees of the Company.

This does not purport to be a record of the proceedings of the Annual General Meeting.

1st SUMMER SCHOOL

India plays host

For the first time, India has hosted the nternational Banking Summer School (IBSS), held every year since 1948. What is equally significant, this is also the first time that a developing country has played host to the IBSS. "It signifies international recognition of the maturing of Indian banking," said R.N. Malhotra, governor of the Reserve Bank of India while inaugurating the school in New Delhi last fortnight.

The congregation of 200 bankers from 47 countries (including 27 from India) is the culmination of six or seven years of efforts by the Indian Institute of Bankers, official hosts to the IBSS in India.

The IBSS was first organised by the Chartered Institute of Bankers, London, in 1948. Since then the annual school has been held in a number of European countries, the US and Australia, returning to England every few years with the Chartered Institute of Bankers, London, playing an advisory role. It was only in 1982 that a decision was taken to investigate the possibility of developing countries or recently developed countries playing host to the school. And so it happened that India hosted the school this year.

The basic objective of the school which brings together bankers from all over the world for a two-week course is to promote the study of major developments in banking around the world. The principal features are the presentation of papers by eminent persons on a basic theme (which changes from year to year), group discussions and case studies.

The theme chosen for this year: "Banking and Economic Development." Veterans of Indian banking like C. Rangarajan, deputy governor of the RBI; D.N. Ghosh, chairman, SBI; I.G. Patel, a former governor of the RBI and now director of the London School of Economics; and M. Narasimham, vice-president of ADB and once governor, of the RBI, presented theme papers. The foreign luminaries included John G. Quinton, chairman, Barclays Bank; Shijuro Ogata, deputy governor, Japan Development Bank; Robert White, director, Westpac Banking Corporation; and W. Rasaputra, governor, Central Bank of Sri Lanka.

Chavan: a jamboree-like atmosphere

The rules of the IBSS lay down that except in a country with a socialised banking system no bank can nominate more than one participant. Each country is allotted a quota; the Bankers Institute of each country then allots quotas to the various banks which in turn nominate members to the school.

However, it wasn't quite clear what eligibility criterion had been used for nomination. Participants too seemed to have different reasons for attending the seminar. S. Samejima, assistant general manager of the Dai-Ichi Kangyo Bank, who is based in Hong Kong, said that since India was under his jurisdiction the interaction with Indian bankers during the school would probably be helpful. "Basically hard work is recognised at the time of nomination," said William S. Bos of the Central Bank of Netherlands, echoing the sentiments of quite a few of the participants.

Malhotra: "It signifies international recognition"

For participants who had not been to India before, the 1988 IBSS was of special interest. Since the venue is known well in advance and the quotas allotted, there is scope for the participants to work towards a nomination. Participants from Ireland, for example, who made it to the school in India, were particularly thrilled. A nomination to the 1989 school would have meant staying home since Ireland will host next year's school. An individual can be nominated for only one IBSS in his career.

Considerable repetition marked the two inaugural speeches by Malhotra and the union finance minister, S.B. Chavan. While Malhotra outlined the Indian experience in the context of social banking, and the new trends in a scenario of internationalisation of operations, Chavan went into the intricate details about the service area approach to be adopted by Indian banks, a topic which probably meant nothing to a majority of the participants.

At mealtime, the topics of discussion ranged from reserve ratios and the role of central banks to sight-seeing plans in the city and the country. Acting apparently on the belief that all work will make bankers dull, the IBSS scheduled visits to Agra and to Kashmir. A tightly packed schedule lay ahead, but on the first day the atmosphere was that of a jamboree. ■

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ISSUE OPENS

NON-RESIDENT INDIANS
29th SEPTEMBER, 1988

INDIAN PUBLIC
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Concept

Moving to green fields

Shifting industry away from the big cities is seen by many to offer the prospect of better industrial relations. Our cities have earned a terrible reputation. Calcutta is said to offer a labour force which is both garrulous and unproductive. Bombay workers lack the ideological antagonism of Callcutta, but have a sharp pecuniary instinct. Madras and Bangalore are tolerable in comparison, but they too have had their convulsions. Most of the smaller cities have well entrenched labour movements and demanding workers.

The common view is that there is something in the social and political atmosphere of the city which makes people volatile. The countryside is seen to offer an escape from this chaos. Labour costs are expected to be low because rural labour would not be so demanding. Having been spared the winds of conflict which sweep the cities, it is also believed to be docile. So, why not give industrial relations a breath of clean, fresh country air?

These idyllic expectations are rarely borne out by experience. Employers who move out seem headed for an entire array of problems, some new and others painfully familiar. The very first problem they run into is employment for sons of the soil. People whose lands have been acquired for the project have an especially forceful claim. They lack the skills industry wants, but on the other hand it is impracticable to pack the side with outsiders. That might lead to problems even more difficult to manage. There have been cases of locals asserting that it is not their fault if they have no skills, and that it is the job of industry to train them.

Problems do not end with the employment of unskilled local people. Their attendance, performance and conduct are often unsatisfactory. In much the same way as preferentially recruited children of retiring employees, they feel that they have the right to be employed, that industry has done them no favour. Public sector enterprises going to remote areas face yet another difficulty. The only schools and medical facilities in these places have been set up by industry. The universal problem of project managers is whether the general public can be denied access to these facilities.

No one expects the hinterland to be bristling with trade unions, but it would be naive to think that country folk lack political instinct. They have all been sucked into the political process long ago, and it should be no surprise if one finds them politically astute. With such political acumen, it is a matter of time before these workers learn the ropes of trade unionism. The most common demand, and one that comes up pretty soon, is for wage parity with the city-based plant of the same firm. This, for example, is the experience of Madras industrialists who have gone to Hosur, and Bombay industrialists who have gone to a place like Aurangabad. Workers in the countryside demand within two or three years the kind of benefits which employees in the mother plant struggled for a quarter century to get.

The employers do not take kindly to these demands, because it was in search of cheap labour that they moved to the hinterland in the first place. They point to the industry-cum-region argument to discourage comparison with the distant city, but employees argue that they should be paid the same because they are doing the same work. A factory which exacerbates these problems is the tendency of workers to federate unions in far-flung units into an apex body. With such a structure, news of benefits travels fast and the demand for parity gains further ground.

When it comes to launching a struggle, the country cousins may be second to none. Surprisingly long and bitter struggles have been witnessed even before the new units could cut their teeth. These strikes, sometimes in support of absurdly unrealistic demands, come as a surprise to many observers. But, one must not forget that these workers have obvious advantages when it comes to sustaining a struggle. In the hinterland they have something to fall back on, either in the form of an income from land or relatives who can be turned to for help. The fact that these workers belong to a younger age group also means that there may be other wage earners in the family. On occasion, the hinterland has also witnessed the kind of violence we normally associate with the city. Cuddappah, in Andhra Pradesh, which attracted Coromandel, CCI and Texmaco with its limestone and supposedly cheap labour is a striking example. Quite a number of managers have been assaulted.

One enterprise took care to cope with some of these problems. The workforce was subjected to a thorough scrutiny before recruitment. Workers with a metropolitan background were kept out in favour of people from small towns. The company did not favour workers with high educational or skill qualifications, preferring instead to train them in-house. The economic background of workers was screened to ensure that they and their families needed the wage for sustenance. Systematic efforts were also made to promote the direct involvement of workers with the firm. Finally, the company arranged to set up a union so as to leave nothing to chance. After nearly a decade of relative peace, graffiti condemning both the management and union has begun to appear. Workers want parity with the mother unit several hundred miles away.

A personnel manager remarked that the main problem with first generation rural workers was that they had exaggerated and unrealistic expectations. They had no idea what kind of demands could be made and sustained. The provision of simple welfare benefits could lead to further demands in the belief that management would give more under pressure. They may be so foolish as to go on strike, demanding wages for an earlier strike. They lacked the leadership that could guide them along proper lines. In short, they did not understand the industrial way of life.

What is this industrial way of life? What are its ingredients? Twenty-five years ago, a group of American professors attempted to define it. They said that it consisted in accepting the division of labour, the monotony of routine, abnormal working hours, the need to learn new skills and shed old ones, the legitimacy of authority, a hierarchy with its lines of control and so on. They also added that the development of trade unionism and the demand for a better life were essential attributes of the industrial way of life. Rural labour is problematic because it does not fit this definition, and urban labour because it does!

■ E.A. RAMASWAMY

The author is chairman, Administrative Staff College of India, New Delhi Centre

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The foreign hand

is the latest status symbol in adland — he international connection. The last five years have seen at least a dozen Indian advertising agencies striking up alliances with leading international names in the business. They are in search of a global rientation to their businesses and access to advanced, creative, account plan- ing and research models.

The consumer goods market in the country is burgeoning, aided by the entry f multinationals such as Procter & Gam- le and General Foods, among others. And advertising budgets are bound to make big jumps.

Today, almost all the world's top advertising agencies are represented in India, be it Young & Rubicam of the USA or Saatchi & Saatchi of the UK or Dentsu of apan. Of all the recent tie-ups, the deal that has grabbed the most attention is that between the Bombay-based Trikaya Advertising Ltd and the US-based Grey Advertising Inc. Grey has obtained an equity stake of around 11 per cent in the ndian agency. Equity sharing with the foreign collaborator ensures a relationship that is closer than that achieved with a mere affiliation.

Before Trikaya, only three agencies — Contract Advertising, Ogilvy Benson and Mather (OBM), and Lintas India — had collaborators who hold a part of the ndian company's equity. Until a few years ago, HTA also had a part of its equity held by its foreign affiliate, J. Wal- er Thompson (JWT), but the latter sold off its share to Indian parties. Subsequently, JWT acquired 40 per cent of the shares of HTA's subsidiary, Contract, from the US-based Kenyon & Eckhardt, in an overseas deal (Kenyon & Eckhardt had 40 per cent of the equity of Grant, Kenyon & Eckhardt (GKE); Contract was set up by GKE employees as an HTA subsidiary when GKE closed down in 1985).

Most of the other international agencies that have representations in India have sought stakes in the share capital of their Indian partners. The Reserve Bank of India has, however, consistently refused permission, presumably to conserve foreign exchange. Advertising industry watchers say that the foreign equity stakes in OBM, HTA and Lintas were allowed long before the RBI got tough on foreign exchange releases, while in the case of Contract, it was merely a transfer of an existing equity stake.

In this context, the Grey deal has attracted much attention. Ravi Gupta, managing director of Trikaya Advertising, maintains that Grey's proposal to invest in Trikaya's equity was treated within the existing policy framework of the government. In fact, he suggests, others have probably not tried hard enough. "If you want anything badly enough, you get it," he says. "We tried for six whole months." Gupta is reluctant to go into the details of how exactly Grey managed the equity stake.

Legal experts who spoke to *Business India* feel that it may be possible for a non-resident Indian to acquire a stake in an Indian advertising agency and hold it abroad on behalf of a foreign affiliate (though strictly speaking this is not legal). Under Indian laws, NRIs can secure equity stakes of upto 100 per cent on a non-repatriable basis, in any Indian company, except those engaged in agriculture, plantations and real estate. Unfortunately, Gupta's refusal to divulge details has only set off a great deal of speculation about the real nature of Grey's stake.

A number of Indian agencies with foreign tie-ups will knock on the RBI's doors again. "One could expect all of us to do it," says Sajid Peerbhoy, president of Speer Communications, which has the US-based Foote, Cone & Belding as its partner. The US-based DDB Needham Worldwide, which signed up with Mudra Communications two months ago, is believed to have been keen on an equity stake, but did not get the RBI's approval.

Gupta: "access to Grey's databank"

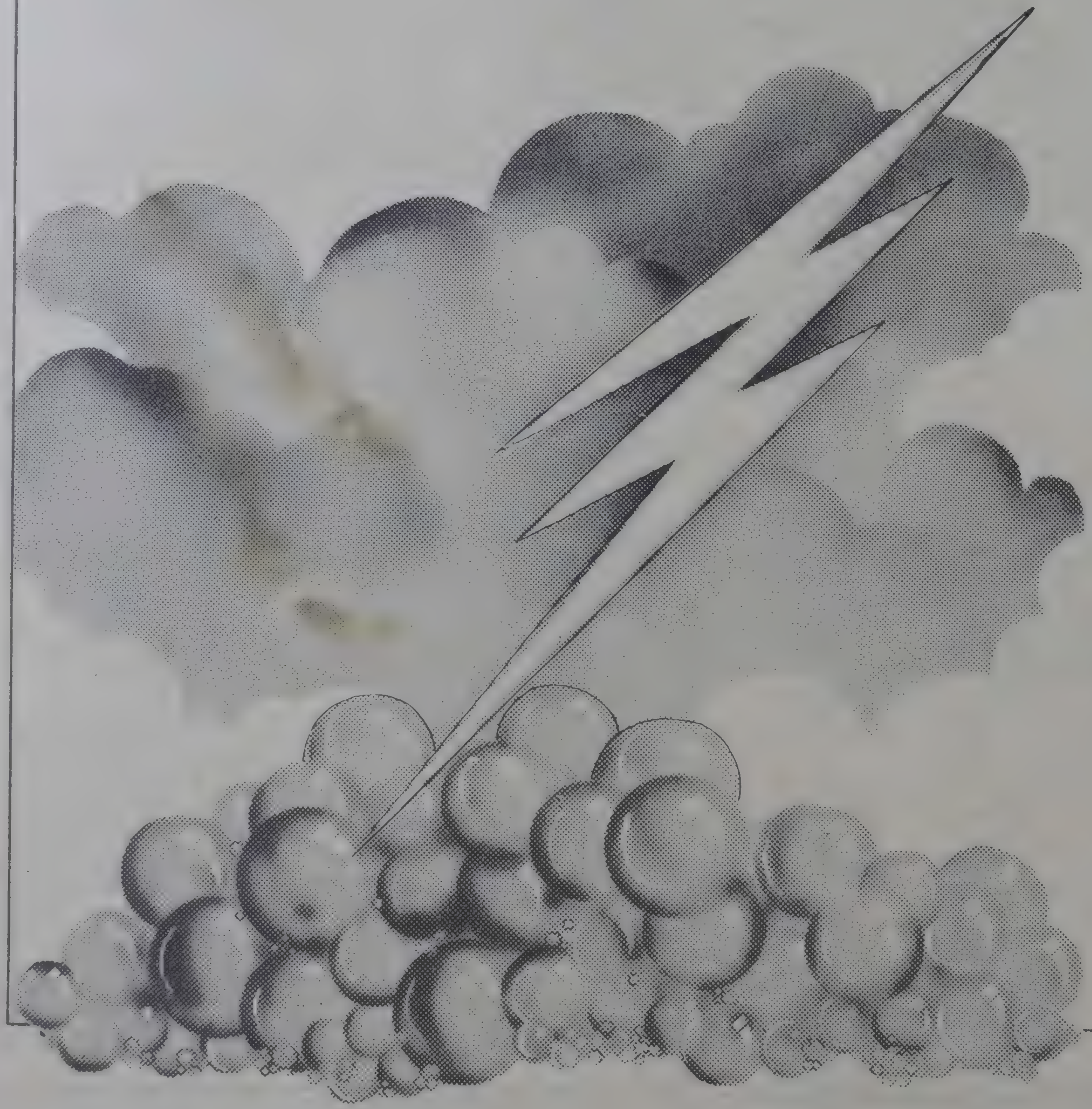
Patel: "campaigns are transnational"

"The equity stake is important because international agencies have to be able to tell their clients that they can assure certain minimum standards in advertising," says M.K. Khanna, president and managing director of HTA. "Also, several multinational corporations which have operations in India prefer to deal with one agency internationally."

"Campaigns and advertising ideas are transnational," says Bharat Patel, executive vice-president of Procter & Gamble India (formerly Richardson Hindustan). "Brand character, consumer benefits and ideas don't change over boundaries." He cites the "khich khich" concept used for Vicks cough drops. "It was basically a Japanese idea," he says. "It was an idea that is used internationally to convey throat irritation. In the US, they call it the Ahem Bug."

In fact, clients themselves try and ensure that their advertising agencies have a global orientation. In 1985, when the Procter & Gamble Company (P&G) merged with Richardson-Vicks abroad, Patel realised that it could result in a shuffling of agencies in India that would not be desirable. "We went one step to protect our interests," he says. He saw to it that his company's existing agencies, Chaitra and Clarion, tied up with P&G's agencies worldwide — Leo Burnett, and D'Arcy, Masuis, Benton & Bowles (DMBB).

While the globalisation of advertising agencies helps advertisers integrate their marketing efforts, the benefits to the agencies are manifold. Gupta of Trikaya



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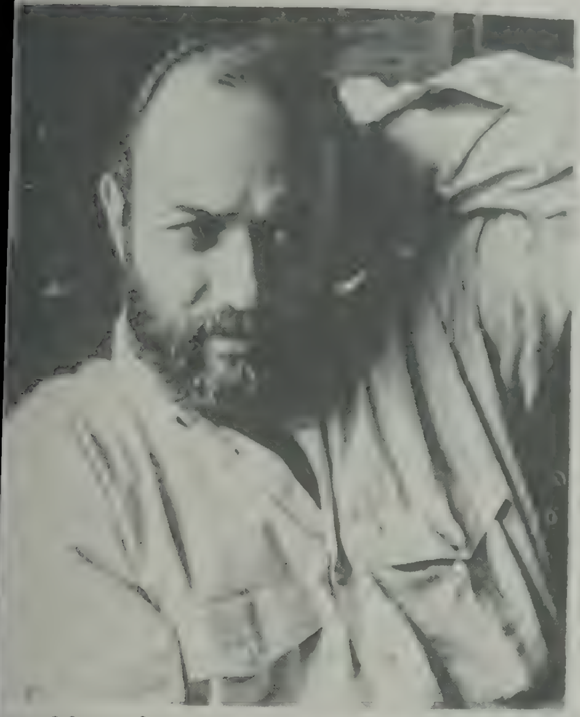


Peerbhoy: learning from others' mistakes

says that greater access to Grey's data anks and account planning models was the motivating factor for "concretising" he three-year-old relationship with equity sharing. With the Grey connection, Gupta also hopes to provide better services to two of his clients who are looking at export markets — Universal Luggage and a computer manufacturer.

For Everest Advertising, which has an affiliation with the London-based Saatchi & Saatchi, there have been similar benefits. "If you have access to a large data bank, you are not rediscovering the wheel," says Munnawar Syed, president and managing director of Everest.

Ram Sehgal, president and general manager of Contract, cites the example of a campaign planned by his agency's client, the Apparel Export Promotion Council, for the export of garments to some 22 countries.

For others, such as the Mudra-DDB Needham combine, the accent is on training and advice on models for media planning and research. The two agencies also plan to set up an offshore company in Singapore or Dubai to pitch for advertisers in Nepal, Taiwan and the Middle East, where international agencies are not well-represented, according to A.G. Krishnamurthy, chairman and managing director of Mudra.

Peerbhoy of Speer also lays great emphasis on training and exposure to international advertising. "Why should I make the mistakes that American agencies made donkey's years ago?" he asks. Peerbhoy, who spent five years with Ted Bates in London, came back to India and started Speer.

Prem Mehta, director of Lintas India, which is part of the Interpub group of advertising agencies, says that besides benefiting from periodical training programmes abroad and workshops conducted by visiting executives from the foreign agency, his company has become a resource centre for the Lintas chain worldwide. "We are a resource centre for the group's public service advertising," he says. "Our managers are being picked up for international assignments."

Khanna: "an equity stake is important"

While the benefits of training and advanced management models are visible, tangible business gains are not far behind. Rediffusion Advertising bagged the prized Rs.10-crore Colgate-Palmolive account when it tied up with Ted Bates a few years ago. But when the account subsequently shifted abroad to Young & Rubicam, Rediffusion managed to retain it, by switching loyalties from Ted Bates to Young & Rubicam. Speculation is also rife now that Trikaya may get a part of the coveted P&G account in India. Grey is one of the four agencies abroad which handle P&G's brands in the world's major markets.

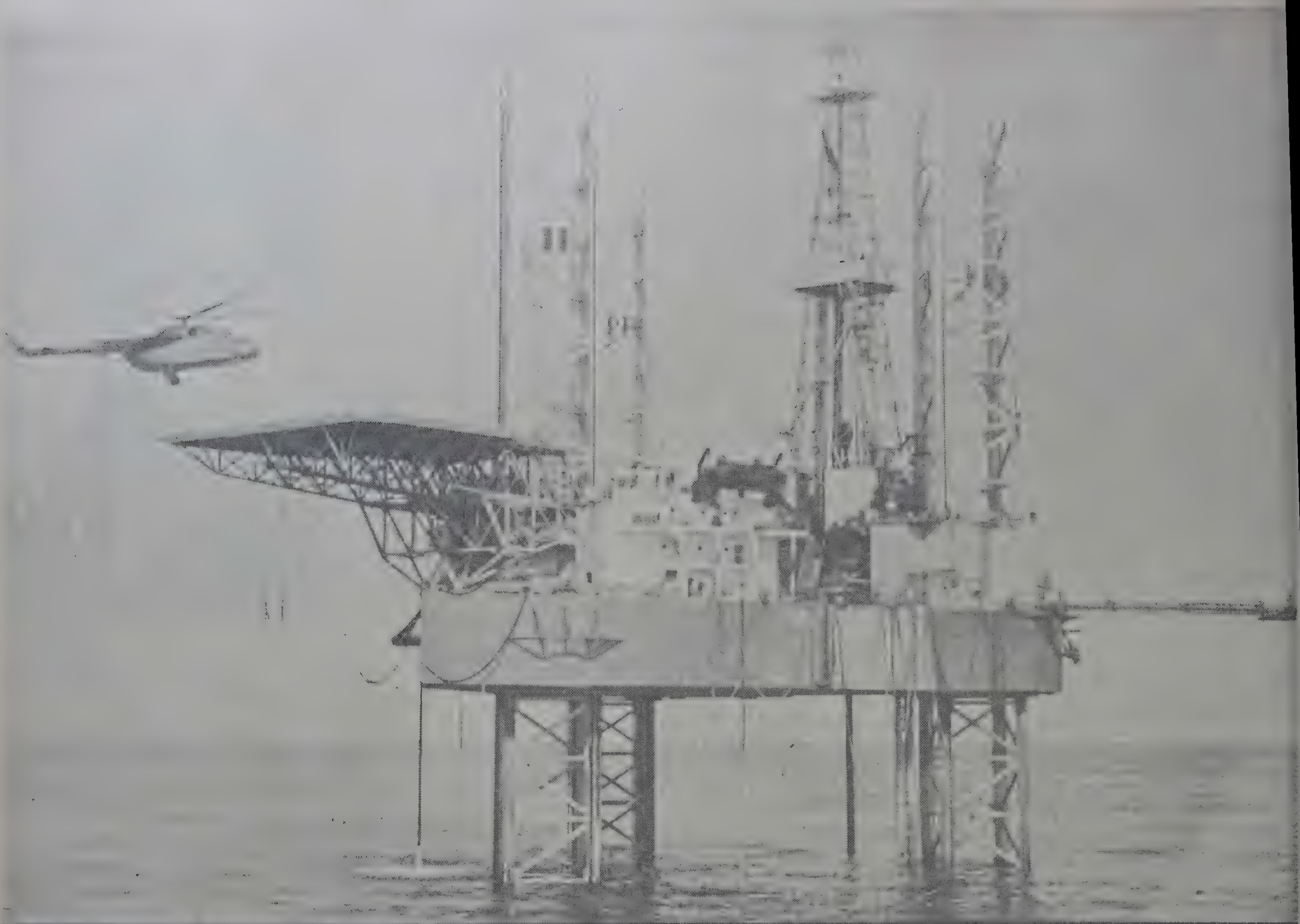
Even as the rush for tie-ups is continuing, some in the industry scoff at them. Creative counselling and advanced management systems are areas where Indian agencies don't need help from abroad, according to the head of one leading advertising agency. "On anything creative, local talent can either do a great job or it cannot," he says. "And in a service profession such as advertising, systems take a back seat."

Mehta of Lintas says that most of the tie-ups are notional. "Indian agencies want to put on an international image," adds Mehta. "But it is yet to be seen whether Indian agencies with such tie-ups will be able to develop the level of technology and skills required by multinational clients."

■ [illegible]

The international tag: Major Indian agencies and their foreign partners

Indian agency	Foreign agency	Equity stake of collaborator
CHAITRA	LEO BURNETT	—
CLARION	D'ARCY, MASIUS, BENTON & BOWLES	—
CONTRACT	J. WALTER THOMPSON (WPP GROUP)	40%
EVEREST	SAATCHI & SAATCHI	—
HINDUSTAN THOMPSON	J. WALTER THOMPSON (WPP GROUP)	—
JAISONS	DENTSU	—
LINTAS	INTERPUBLIC	40%
MUDRA	DDB NEEDHAM	—
OGILVY BENSON & MATHER	OGILVY & MATHER	40%
R.K. SWAMY	BALTEN, BARTON, DURSTINE & OSBORNE	—
REDIFFUSION	HDM (YOUNG & RUBICAM)	—
[illegible]	DORLAND INTERNATIONAL PAN GULF PUBLICITY	— —
SOBHAGYA	DAYTONS (DAYTON GROOM & SAUNDERS LTD) GULF BUSINESS AIDS (PVT) LTD NPC ADVERTISING CO.	— — —
SPEER	FOOTE, CONE & BELDING	—
TARA SINHA ASSOCIATES	MCCANN ERICKSON	—
TRIKAYA	GREY ADVERTISING	[illegible]



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Toothpaste tactics

elling toothpaste is tough business, all he manufacturers agree. The last five ears saw the rise and fall of at least even new brands. An Ace that crashed nd a Flash in the pan. Yet there is a lot of ptimism. Detergent giant Nirma is eadying to enter the fray while the vetran Balsara Products has launched a ew product, Babool.

Last year, toothpaste sales spurted by 0 per cent to 24,628 tonnes. And by the urn of the century, the industry expects t to more than treble to 85,000 tonnes. he per capita consumption of toothaste in the country is pitifully low at 29 ms a year compared to 538 in the UK. oday, only 12 per cent of Indians use oothpaste. So the growth potential is arge even though the competition is ntense.

Most manufacturers jostle each other in the urban market which accounts for 83.5 per cent of the offtake. They lure the consumer with variations in colour or lavour, a dash of "what grandma gave you when you were a baby", a new combination of known ingredients, or a price that is higher or lower than the rest.

The newest toothpaste in the market, Babool, is Balsara's fourth brand after the successful Promise; Ace, which hit the market in 1982, was later withdrawn, and Prize, a fluoride toothpaste, drowned in Colgate's flood of Fluoriguard.

Babool is aimed at the lower end of the market with a price tag of Rs.10 for a 200 gm tube — nearly a third cheaper than most leading brands of toothpastes and even considerably cheaper than some toothpowders. The idea is to attract price-conscious people who use cheap toothpowders (some of which are more like scouring powders) or dentifrices like neem and babul twigs. This also explains the choice of the brand name, Babool.

"It's for the first generation city dweller who has never used toothpaste," says S.A. Swamy, marketing controller, Balsara Hygiene Products. "Indians are tradition-minded and have close family ties. Ayurveda is part of our tradition. So we prepared a toothpaste for the traditional Indian family."

Babool isn't the first toothpaste with ayurvedic ingredients. Nor is it the first to be aimed at the first-time toothpaste user. Vicco Vajradanti, an ayurvedic toothpaste, was launched on an experimental basis as far back as 1959 at a time when ayurveda was not considered "fashionable". It was produced on a commercial scale in 1967 but it was only in 1974 that the manufacturer, Vicco Laboratories, launched a massive radio and television ad campaign. The product gained steadily in the market till it attained a 4 per cent share by the end of the decade. Vicco's marketing campaign like that of Balsara's Promise was the stuff that marketing case studies are made of.

However, G.K. Pendharkar, managing director, Vicco Laboratories, is at pains to differentiate between his product, which is categorised by the Food and Drugs Administration (FDA) as an ayurvedic medicine, and the others that are listed as cosmetics. "We don't consider other toothpastes our competitors. Ours is a medicine, nearly 20 per cent of which consists of ayurvedic extracts," says Pendharkar. "That's why our product can't be as white or foamy as cosmetic pastes, nor can we afford to price it as low as some of them." He is sure that sales will increase as people become more aware of the benefits of ayurveda. Babool's ads which promote such contents may unintentionally help Vicco's sales.

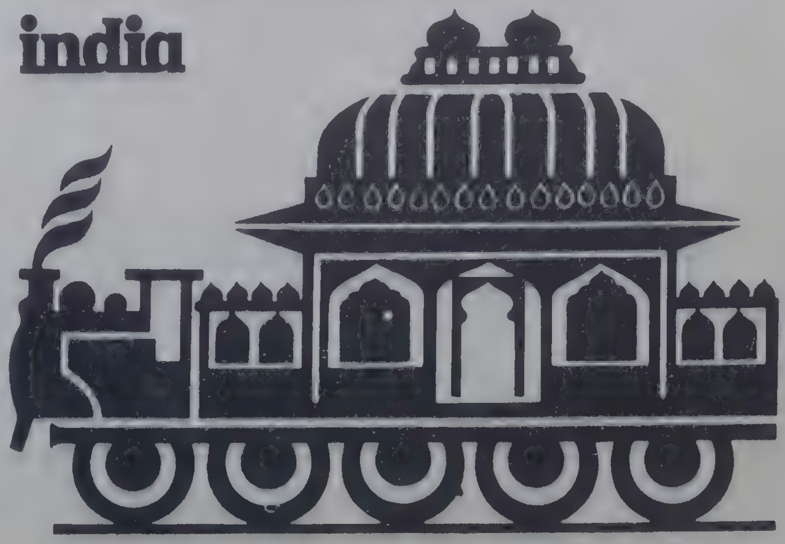
Colgate thought of the first-time user before Babool was launched, packed its dental cream in a sachet and followed it up with a massive television ad campaign targeted at school kids with a hint to the traveller. "The idea was to motivate the first-time or peripheral user with a small pack," says Bishwajit Mukherjee, communications manager, Colgate-Palmolive (India) Ltd.

The company found that the 53 per cent share of Colgate Dental Cream could not be pushed up through sachets. The traveller was unwilling to mess around with packs that could squirt toothpaste into his or her suitcase. Moreover, retailers in urban and semi-urban areas found it hard to come by first-time users

Prices of major brands of toothpastes

Toothpaste	Price (Rs.)*
CLOSE UP	20.50
COLGATE FLUORIGUARD	17.25
PRUDENT	16.40
COLGATE DENTAL CREAM	16.00
VICCO VAJRADANTI	15.40
FORHANS FLUORIDE	14.75
CIBACA FLUORIDE	14.35
CIBACA TOP	14.25
FORHANS	14.25
PROMISE	14.10
BABOOL	10.00

** Prices where available are those printed on 200 gm packs. If not available for 200 gms, the price has been extrapolated for 200 gms for the purpose of comparison*



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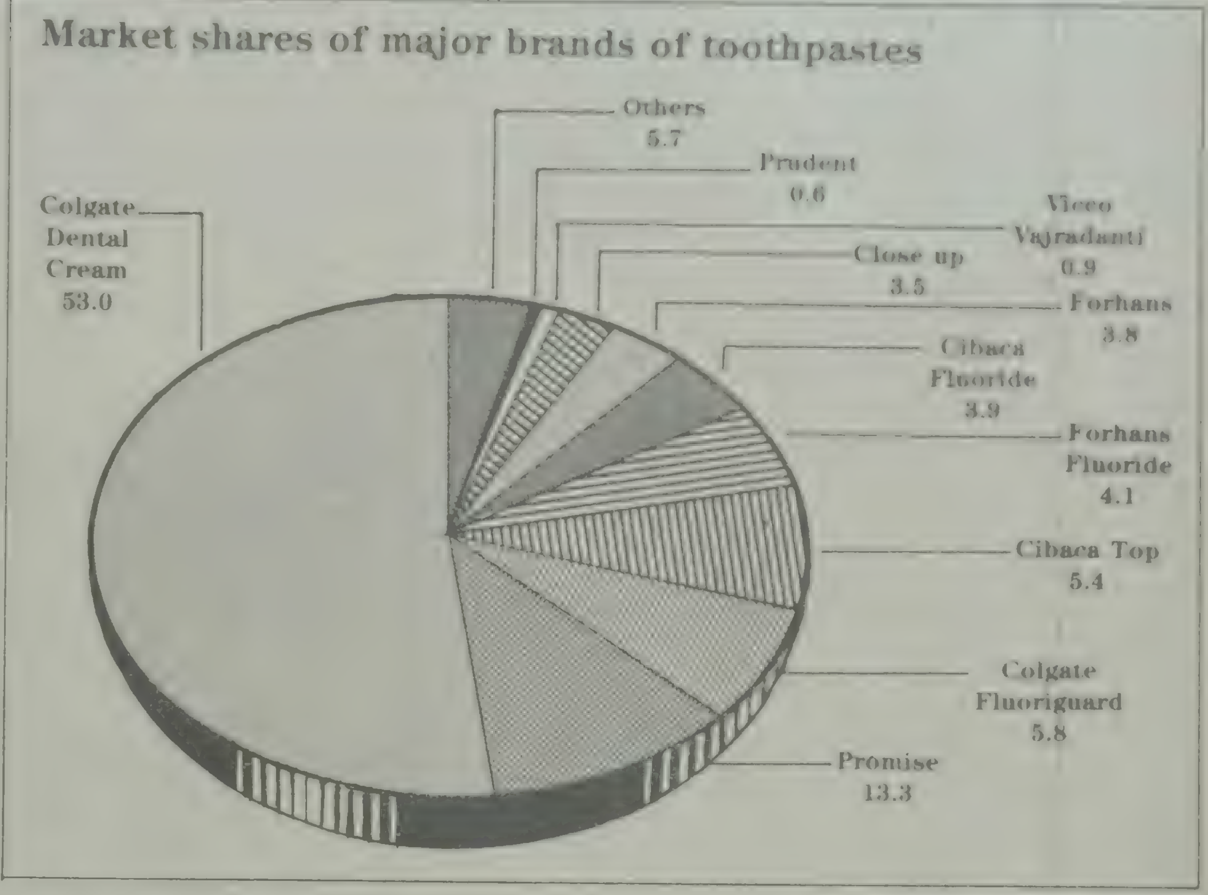

Market shares of major brands of toothpastes

o would prefer the sachet to the tube. hen the novelty wore off, the kids too opped asking for it. Pricing could, how-, play a big role in making Babool a ccess. Never before has a toothpaste available so cheap. And the first-e user may well switch over from powder for reasons of economy and nvenience.

Promise wasn't the first toothpaste ith clove either. Colgate too claimed to e clove as did a few other manufacrers. But Promise was the first to make e ingredient its USP (unique sales roposition). Launched in the medium rice segment, the sales of Promise grew eadily, despite the overpowering presnce of Colgate; it ate into the sales of her multinationals till it cornered bout 14 per cent of the market in 1980, xt only to Colgate. But that was as far s Balsara could get. If it wanted a larger ice of the market, it would have to enter nother segment.

That was what the company tried when t launched Ace in a higher price segment n 1982. But Ace had very soon to be vithdrawn. According to Swamy, the aunch was an experimental one retricted to Maharashtra only. Industry ources, however, say that Ace failed beause of poor quality.

In 1986, the company launched Prize, a luoride toothpaste, again in the higher price segment. A couple of months later Colgate launched Fluoriguard in the ame segment with a massive ad campaign. Prize received a severe blow and its hare tumbled from 7 per cent to less han 1 per cent.

All this only went to show that a company with a reputed marketing and disribution machinery, even in toothpaste, eed not automatically succeed in mareting a new brand of toothpaste. Ponds s another example.

Around the time that Prize was aunched, Ponds too launched a toothpaste and Parle, despite its earlier failres with Flash and Foamy, launched Prudent. Flash and Foamy, according to narket analysts, lacked in quality. Ponds, n the other hand, suffered because of its ad positioning.

"Ponds' packaging with a pink floral esign, gave it too much of a cosmetic ppearance for it to be taken seriously. ven the television commercial placed o much stress on the fun factor. It was o funny," says a marketing executive.

Parle's Prudent is better than the earer toothpastes launched by the company. The paste has better consistency and a longer shelf life. Yet, it has managed to get a mere 0.6 per cent of the market share. This is probably because fluoride is one of its ingredients. After the recent controversy over the use of fluoride, all toothpastes containing this ingredient have dropped in sales, the most significant being Colgate's Fluoriguard which dropped from 8 per cent to 5.8 per cent over the last year.

Despite these failures, no manufacturer has really explored the lower segment of the toothpaste market, especially in the rural areas. "How can we afford rural marketing when even Colgate cannot?" asks Swamy of Balsara.

"Our sales have to be mainly in the urban areas. Where is the infrastructure in the rural areas?" asks Mukherjee of Colgate.

What is required is the development of the rural market through a massive awareness campaign. But even the large business houses expect the government to do this for them. "India is a signatory to the United Nations' programme which envisages health for all by 2000 AD. This will involve a massive dental health awareness campaign and increase the toothpaste consumption by the end of the century," says the marketing manager of a reputed toothpaste manufacturing company.

Meanwhile, it seems that there's going to be a tug-of-war at the bottom end of the urban market.

"We have been hearing about Nirma's toothpaste for such a long time. Where is it?" asks a Balsara executive happy to have got a head start in the low market segment.

Word about Nirma's launch of a toothpaste has been going around for a year. The company plans to launch its toothpaste on the same principle that helped it succeed against Lever's Surf: "Acceptable quality at the lowest possible price." The toothpaste was expected to hit the market around October last year at a price that was 10 per cent lower than other toothpastes. Now Balsara has upstaged it by pricing its new product almost a third cheaper than leading brands thanks to what Swamy would like to call "a technological breakthrough".

Industry sources feel that Nirma may now wait and watch Babool's performance before hitting the market. Moreover, these sources say, the recently launched Nirma toilet soap is not doing as well as the company expected it to do. So Nirma is going to be cautious about its next move. When contacted, company sources declined to comment.

Nevertheless, the company may choose to launch the toothpaste during the coming festival season when people are on a shopping spree and inclined to try out anything new. But whether they stick to it after the initial trial, one will have to wait and see.

■ ALOYSIUS FERNANDE

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UNIFORM ACCOUNTING YEAR

Birth pangs

In 1986 the government of India had circulated a discussion paper on direct taxes. One of the important proposals made in the paper was the adoption of a uniform accounting year for all tax payers, with the year ending in March. Ostensibly, such a change will ease the cross-verification of transactions, though given the various complexities involved, it is doubtful whether the object can be achieved.

In any case, it was apparent that the government did not intend to have any discussions on the matter and had made up its mind to go ahead with the proposal. In due course, the proposal passed into law and for the assessment year 1989-90, every tax-payer will have his year ending on 31 March 1989. It is obvious that for an assessee whose year did not end in March, the current financial year, for income tax purposes, will be longer than 12 months. For example, if earlier the accounting year ended in June 1987, the current assessment year will last 21 months until 31 March 1989.

In theory, it is possible to have different year endings for income-tax and for company law purposes. However, in actual practice, it would be extremely cumbersome and very few companies are thinking in terms of having a different year for their account closing purposes under company law. As such, companies would be required to close their books on 31 March 1989, and thereafter on 31 March of each year. Section 166 of the Companies Act requires that the company must have an annual general meeting (AGM) each year and that there should not be a gap of more than 15 months between two AGMs. Further, according to Section 210 of the same Act a financial year cannot exceed 15 months without the permission of the Registrar of Companies (RoC), and in no case can it exceed 18 months. In other words, so far as the Companies Act accounts are concerned, the position would be as under:

- A company whose accounting year ends in December, 1987, for example, can close the next accounts directly on 31 March 1989, without the RoC's permission.
- A company whose year ends between 30 September and 31 December 1987 can close the accounts with the RoC's permission on 31 March 1989, or it can close the accounts twice. However, for income-tax purposes, the two accounts will be merged by the income-tax department.
- If the accounting year of the company ends between 31 March and 1 October 1987, the accounts have to be closed twice; once as per the normal accounting year and then again on 31 March 1989. Here again, for income tax purposes, the accounts will be merged.
- The provisions of Section 166 of the Companies Act would have to be simultaneously complied with in all cases, whereby the 15-month gap between two AGMs can be extended by the RoC upto a maximum of three months. However, there is a further requirement that the AGM should be held in each calendar year, which would have to be kept in mind.

DEPRECIATION OVERHAUL

Depreciation has to be provided for Companies Act purposes as per the newly inserted Schedule XIV which prescribes various rates of depreciation for different assets. The rate for normal plant and machinery is 15 per cent, whereas the income-tax rate is 33.33 per cent. However, the Income Tax Law provides that, if the transitional year ending 31 March 1989, exceeds 12 months, depreciation will be proportionately increased. For example, if the financial year ends after an 18-month period on 31 March 1989, the rate of depreciation will be 50 per cent instead of 33.33 per cent for the general category of plant and machinery. It is important to note that companies will be entitled to a substantial write-off as depreciation, even if the asset is purchased at the end of the (18-month) year. In addition, under the Investment Deposit Scheme, the cost of the machinery can also be allowed as a deduction, subject to a maximum 20 per cent of book profit (this is independent of, and in addition to, depreciation).

Far-ranging changes have been made in the provisions relating to advance tax. Coupled with the problem of the transitional year, companies are facing considerable difficulties in relation to these provisions. For one thing, the provision for waiver of interest has been deleted. Advance tax is required to be paid now in September, December and March to the extent of 20 per cent, 30 per cent and 50 per cent, respectively of the aggregate advance tax. If the advance tax paid falls short of 90 per cent of the ultimate tax, there is a 24 per cent penal interest. Further, shortfalls in the respective instalments also attract a 1.5 per cent per month penal interest. Many companies have had year endings in June or September so as to be better able to estimate advance taxes. This will now not be possible and in the transitional period, the entire income of the year ending in March will have to be estimated. Of the estimated tax, 20 per cent would become payable on or before 15 September 1988. The problem of estimation is compounded by the fact that capital gains too are now subject to advance tax.

With effect from the year ending 31 March 1989, a provision for penal tax has been introduced whereby 30 per cent of the tax due on the difference between the assessed and the returned income will be charged as penal tax. This applies even when the difference may have arisen from a genuine legal dispute with the income-tax department and though the tax payer may have the support of various judgements in his favour, which the department still desires to contest. There is no right of appeal against this additional tax itself though there is a provision that the tax will be cancelled or reduced if the issue in question is decided in favour of the tax payer by the appellant authorities. (The Administrative Commissioners of Income Tax may be approached for waiver of the penal tax, but past experience of their attitude towards waiver of interest or penalty negates the value of this "remedy".) Amazingly, this additional tax also applies to a situation where loss is reduced; therefore it is now possible that an assessee will have to pay the additional tax without having to pay the basic tax.

With so many changes being introduced in corporate and taxation laws and with further changes anticipated — what with the amendment bill pending for the monsoon session of Parliament (to smoothen out the wrinkles in the earlier legislation) and the possibility of a direct tax code being introduced next year the corporate tax-payer is undoubtedly in for considerable change and uncertainty

DISHERGARH POWE

(A member of the Andr

Speech of Shri K.S.B. Sanyal, Chairman, at the Annual General Meeting on 15th Sept.1988

Friends,

I welcome you to the Annual General Meeting of your Company. I am happy to report that this year too has witnessed an excellent rate of growth in all our business activities. The results reflect the improvements achieved in operational efficiency and cost control, thanks to which your Company has successfully earned profit of Rs. 321.78 lakhs without revising basic tariff during the year.

Kindling a Vision

In 76 years of existence, we have been an integral part and parcel of the economic surge witnessed in the country's eastern coalbelt in the course of this century. A pioneer supplier of power to the Asansol-Ranigunj region, it partook in moments of history such as the formation of the Damodar Valley Corporation (DVC) and the nationalisation of the coalmines. Throughout the unfolding course of all these decades, your Company has been able to re-position its strategic objectives with farsightedness and consistency, always in tune with national priorities. Looking back, I can discern a common visionary thread running through these leaves of your Company's history and binding them together, thereby in turn paving the way for future contributions in the field of power generation and distribution.

Let me share with you some insights as to how this sterling vision has translated itself into reality. One of your Company's primary achievements has been its ability to establish and maintain both its credentials and credibility as a viable energy source at a time when large power generation units are the trend of the day. With exemplary self confidence, your Company has adopted itself to the role of bulk power distributor and continued to play a pivotal role in the growth of industry and other branches of commerce in the licensed area. At the same time, your Company has continued to operate its age-old generating units, albeit with addition to the steam generating capacity and with diligent maintenance and upkeep. Your Company's plant load factor (PLF) of 65% compares very favourably with the national PLF reported at 56% and is well above the average PLF of 43% recorded in the state of West Bengal. I am sure you will join me in congratulating the employees for keeping up their high performance standards.

Apart from the fact that these old plants run as profit centres by themselves, they have the quintessential role of being consumer service centres too. For instance, they provide the gassy and floodprone coalmines of Eastern Coalfields Ltd. (ECL) a much needed sense of security and confidence. Your Company has developed over the years a reliable distribution network in the area with facility to feed most of the load centres from more than one source of supply. To top it all, the maintenance staff has created an enviable customer service track record, reacting swiftly to any fault or breakdown in power supply and restoring it within the shortest possible time. With such strengt built into the system, we can loo the future with confidence for serving the consumers in the licensed area.

Your Company stands testimony that in the field of power, while b might be majestic, small remains beautiful. It is by now establishe that in case of outage of large un the shortfall in power becomes unmanageable and the distributin agencies have to resort to loadshedding. A possible long te solution to this consumer irritant could be to so ordain that the bul power supply from large generati units distributed through national state grids be supplemented by smaller, more reliable and responsive generating units locate at load centres with appropriate arrangements tied-in enabling a switch over from one supply sour to another at short notice, if need be.

In keeping with our social awareness, we have kept our commitments to the overall cause the environment. Last year, we ha laid a garden at Yuba Bharati Krirangan-Salt Lake Stadium at a total cost of Rs. 2.50 lakhs as our contribution to Calcutta's beautification programme.

Board of Directors

K.S.B. SANYAL

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S.N. SINGH

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reported last year, a new era of nsee-consumer tie-ups has been neered by your Company, which entered into an agreement with , by far its largest consumer, for ting up and subsequently erating a 2 x 10 MW captive rmal power plant for their inakuri group of coalmines. I am ased to inform you that this oject is progressing satisfactorily d is likely to be commissioned in 90-91. Your Company has also en up a feasibility study, for king over the operation and intenance of two gas turbine T) generating sets belonging to CL. There is a further possibility of nilar arrangements to run and aintain two more of ECL's large pacity GT sets.

ese schemes, when implemented, ill provide more than 100 MW of rvival power generation capacity your Company's system. The nsequent beneficial fallout would two-fold. Firstly, it would go a ng way to facilitate the optimum ilisation of capital investment in e nationalised coal sector. econdly, it would also ensure eater flexibility in load anagement, which will serve the terests of all sections of onsumers in the area.

Private Sector Role

ased on the report of a Working roup for private sector rticipation in the country's power pply, the Central Electricity uthority has invited proposals for creasing the generating capacity your Company. The projections financial terms for augmenting e generation capacity have been ready submitted to the State overnment. The proposal of the entral Government to increase the asonable return on investment to % per annum, the announcement ade in Parliament by the Union nance Minister that Section 115J the Income Tax Act, 1961 would not be applicable to electricity companies, and the proposed re-introduction of the Investment Allowance Scheme are all steps in the right direction. I have no doubt that responsible private sector participation in the power sector can only help in bridging the extent gap between demand and supply to a great extent and would be therefore in the ultimate national interest.

The Human Factor

Of the many factors which impinge on the managerial task and influence its accomplishments, the human factor is perhaps the most significant. With this strong belief, your Company's constant endeavour has been to create a sense of confidence, wellbeing and involvement amongst its employees. Each employee is motivated to contribute his full potential towards achieving the goals and objectives of your Company. This spirit has been nurtured over the years by professional management and an organisational culture which your Company shares by way of a common heritage as a member of the Andrew Yule Group.

Future Plans

With the ongoing modernisation and mechanisation of coalmines, the expansion of industry, trade and commerce as well as the introduction of modern technologies in the agricultural sector within the licensed area, the load demand is expected to increase two-fold by the year 2000. To meet this envisaged load burden growth, a long term plan for augmenting generation capacity by setting up at least two more 10 MW generating units, creating power supply receiving points from DVC at two new load centres and a large scale extension and modernisation of distribution facilities has been adopted by your Company. This will require an investment of upward of Rs.50 crores over the next few years. However, a prerequisite to the launch of this ambitious venture would be governmental assurance towards extension of your Company's licence beyond 1992. I am sure, the matter will be considered favourably by the concerned authorities.

Acknowledgements

We are most grateful for the continued support given to your Company by the Government of West Bengal, particularly its Department of Power, the West Bengal State Electricity Board, the Damodar Valley Corporation, Coal India Ltd. and Eastern Coalfields Ltd On behalf of the Board, I assure them that we shall always keep our vision intact and strive to fully play our role in maintaining and meeting the growing power supply requirements in our licensed area, not hesitating in the process to take up more responsibility in the cause of serving our valued consumers.

Chairman

Note:
This does not purport
to be a record of the
proceedings of the
Annual General Meeting

tradition of 76 'light' years.

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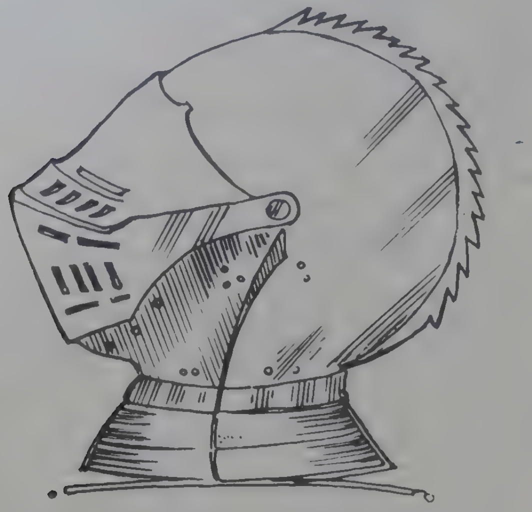

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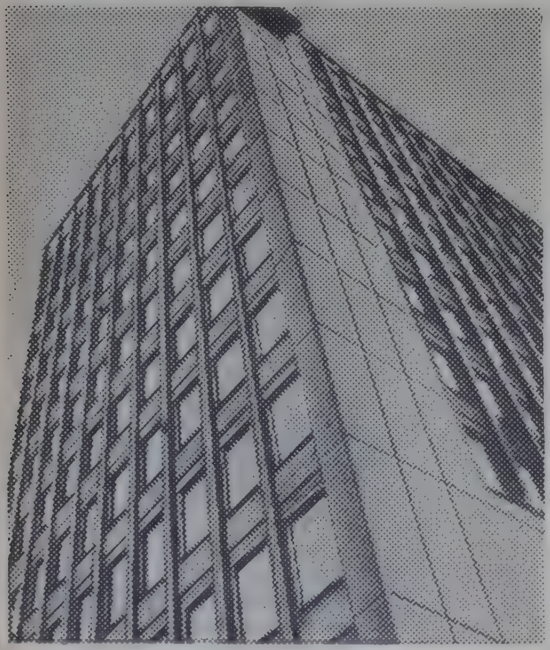

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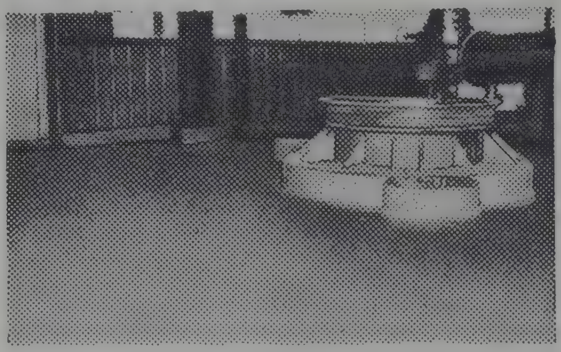

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HE MENONS OF KOLHAPUR

From strength to strength

o most people, Kolhapur, a cool, pas-oral and picturesque township in south-est Maharashtra, was known for two hings: sugar and Kolhapuri chappals. 'oday, it is lot more — it hums with ndustrial activity and is catching up fast vith the more industrially advanced cen-res in the state. Two industrial groups ave put Kolhapur on the industrial map f the country — the Menon brothers and Ghatge-Patil Industries, both being involved in the engineering industry.

Of the two, the Menon brothers — Chandran (63) and Ram (59) — starting virtually from scratch three decades ago, have today grown to a Rs.25-crore business house. The two main companies in the group — Menon & Menon Pvt Ltd (managed by Chandran) and Menon Pistons Pvt Ltd (managed by Ram) — are today considered to be one of the leading companies in their fields, namely, automobile castings and pistons and piston rings, respectively. The group today employs nearly 2,000 workers, has seven plants and manufactures oil engines and automobile ancillaries, apart from castings and pistons. It has also entered the export market in a big way through its piston unit. This year the unit is expected to export almost half of its output to the USSR and West European countries.

But success has not come easily to the Menons. In 1955, Chandran, then an engineering graduate aged 30, started with a hired lathe machine in a hired shed in Kolhapur. He undertook job work for the larger companies manufacturing various machines. Chandran's parents, a wealthy agricultural family from the Trichur district of Kerala, was against this venture and therefore did not support him. "To begin with, I had no capital but only a strong desire to start something of my own," recalls Chandran. Of course, his seven years, working experience as a toolroom engineer in the defence factory at Khadki (near Pune) was a key factor in his success. Besides, Chandran says that he gained confidence by working with a private firm for a short time at Kolhapur which was doing well in similar business with very little capital. Ram, the younger brother, joined him two years later.

Around 1960 (by then the Menons had added a few more lathe machines to their stable by ploughing back profits), Menon & Co set up a new unit for the manufacture of diesel engines (agricultural pumpsets) for which demand was growing. "Within two years, the production of engines went up to 6,000 a year and the total sales to around Rs. 60 lakhs," says Ram. But the real growth of the company started in 1965 when a foundry unit was set up at Vikramnagar in Kolhapur for the castings required for the diesel engines. That year, Menon & Co was also split into two separate companies — Menon Ancillaries (for the ancilliary job work) and Menon & Menon (for the foundry and diesel engines).

Chandran Menon: gearing up for faster growth

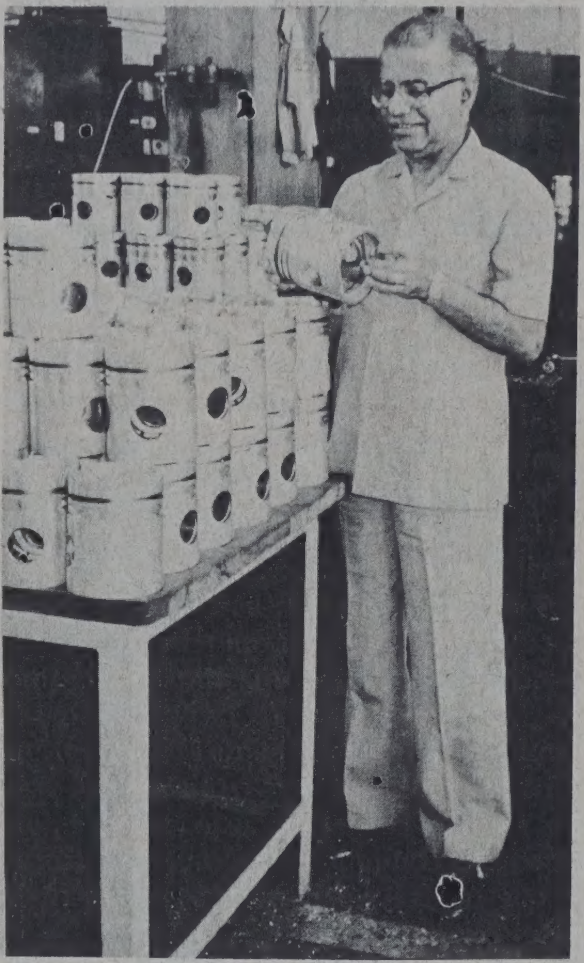
The Menon Pistons plant, Kolhapur

Chandran, however, soon found that the prospects for Menon & Menon as an independent casting unit were far better than expected. "We found that there were not many competent units manufacturing sophisticated grey iron castings for automobiles," says Chandran, "and we decided to enter into this area in a big way." Besides, the growth in diesel engines was also blocked when the government reserved this item for the small scale sector. The growth in the foundry division was substantial and around 1984 the company decided to set up another foundry at Amboli in the Sindhudurg district of Maharashtra (50 km from Kolhapur), with a licensed capacity of 32,000 tonnes per annum (tpa). In the first phase at Amboli, a capacity of 7,200 tpa was set up, thus taking the company's combined installed capacity to 15,000 tpa.

Today, Menon & Menon is producing heavy duty automobile castings like cylinder blocks and heads and gear box castings which it is supplying to a number of truck, tractor and industrial engine manufacturers as original equipment (OE). The client list of the company includes Escorts, Kirloskar Oil Engines, Ingersoll-Rand, Mahindra and Mahindra, HMT and Telco, among others. "Today we can compete with the best foundries in the country in terms of both quality and price," claims Chandran. The turnover of the company, which was about Rs.2 crores around 1980, has now gone up to Rs.11 crores. Of this, castings account for Rs.10 crores and diesel engines only Rs.1 crore (the same as 10 years ago). The company's turnover would have been still higher but for a 16-month long closure of its Kolhapur unit due to inter-union rivalry.

Meanwhile, Menon Ancillaries, the other company in the group headed by Ram Menon, had started reconditioning automobile engines along with its usual activity of manufacturing components. With the experience gained from this unit, Ram noticed that there is good scope for manufacturing aluminium alloy pistons for automobiles and industrial engines. Thus in 1969, he set up a new unit for manufacturing pistons and piston rings at Kolhapur. The new unit was named Menon Pistons while the old ancillary manufacturing activity was renamed Menon Automobiles.

In 1972, Menon Pistons went on stream and within a couple of years it became the OE sup[illegible] to a large number of automobile and engine manufacturers. Currently, it manufactures 190 types of pistons, next only to Escorts in terms of range, with price tags ranging between Rs.50 and Rs.1,200 per piece. This year (1988-89) production of the unit is expected to reach the 2 million mark, against around 360,000 pieces about 10 years ago. With such rapid growth (about 30 per cent per annum), the piston unit soon emerged as the largest in the group, with an annual turnover of around Rs.15 crores this year. "The beginning was not easy," says Ram, looking back at the past. "We started without any foreign collaboration while all the other manufacturers had one and that is why our pistons faced difficulty in acceptance in the beginning."



Ram Menon: "the beginning was not easy"

Menon Pistons got its first major breakthrough when it developed a special piston for the Kirloskar Cummins diesel generator sets in 1974 to substitute imports. "We are grateful to them for their technical assistance in developing this critical piston," says Ram. Today, Kirloskar Cummins buys its entire requirement from the Menons and it is also the single largest buyer for them. This year, in fact, they are expected to buy pistons worth Rs.3.65 crores which will account for nearly half of Menon Pistons' total domestic sales. As Ram says, "Once our technical competence was pr there was no looking back." Today, Me Pistons' client list includes leading a mobile manufacturers like Telco Maruti and diesel engine manufactu like Kirloskar Pneumatic and Rusto Hornby, apart from Kirloskar Cumm

Menon Pistons had another m break when it made some small exp to Russia about three years ago. This it will export pistons worth Rs.7.5 cr or half of is total output. Of this, exp to Russia alone will be worth Rs. 7 cr and the rest to some West Europ countries. "We are supplying one mill pistons, valued at Rs.5.2 crores to Lada Car manufacturing company in USSR alone," says Ram. The technologi competence of the company can also gauged from the fact that the manuf turers of the Rolls Royce car in the and Peugeot in France have comm sioned the Menons to develop pistons their engines, according to their speci cations and design. Also, a Nigerian co pany is trying to tie up with them technical assistance in setting up a pi ton manufacturing unit in Nigeria.

The Menons are now gearing up f faster growth in the coming years. Men Pistons has already set up an export div sion which will expand the exports of th group. "With our experience and contac we can surely export many more iten apart from pistons," says Ram. The con pany, in fact, has already identified se eral engineering products which hav good potential in the export markets. It also modernising its piston plants at K lhapur and Sangli at a cost of Rs.7 crore to augment its output by a third of it present capacity. Similarly, Menon Menon is doubling its installed capacit from 7,200 tonnes at its Amboli foundr in the next two years. It is also plannin to diversify into foundry related chemi cals, for which it has already made beginning.

When translated into money terms, a these ambitious plans, according to Ran will mean a near doubling of group sale to nearly Rs.50 crores within the nex three years. As business is growing, th second generation of the Menons is als moving in. Vijay, Chandran's eldest son has already joined the group after gradu ating in engineering. Two sons of Ran and the younger son of Chandran ar currently studying and are expected t join the group later.

■

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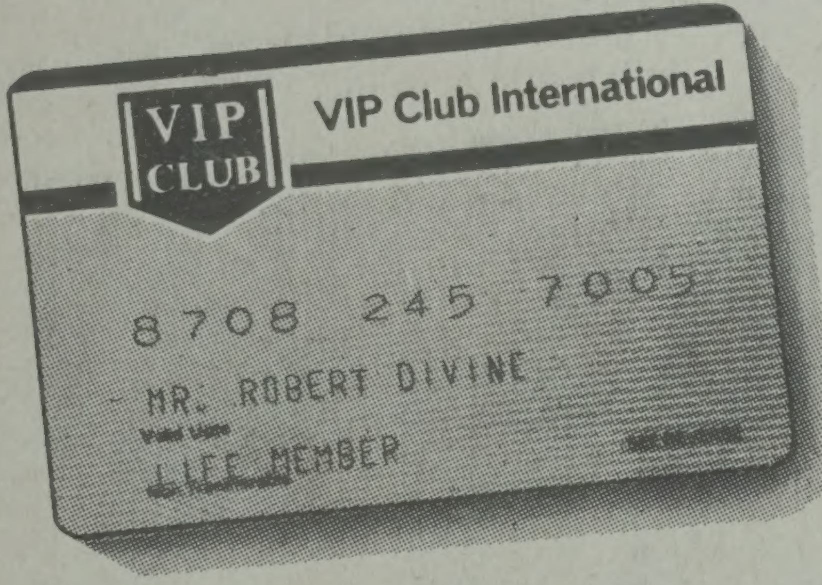

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GILLETTE

Reprieve from Coniston

Gillette has agreed to a truce with the Wall Street firm, Coniston Partners, which had waged a proxy war against the Gillette management for the past two years. Coniston which owns 6 per cent of Gillette shares was trying to get the support of the other shareholders for a resolution to force the Gillette management to reorganise the company and sell off its assets. Under the terms of agreement, Gillette will buy back Coniston's shareholding and Coniston will not seek control of Gillette for at least three years.

CHRISTIN DIOR

Stake in Moet Hennessey Louis Vuitton

Shortly after the merger of the champagne and cognac company, Moet Hennessey, with Louis Vuitton, manufacturer of luxury leather goods sharp differences emerged between the erstwhile chairmen of the two units. To resolve their differences, Louis Vuitton and Moet Hennessey inducted Bernard Arnault, the French financier who controls the luxury goods company, Christin Dior. Arnault is now taking a substantial stake in Moet Hennessey Louis Vuitton through Christin Dior, in association with the UK drinks group, Guinness.

SMITH KLINE

Top management ulcers

Between 1976 and 1983, Smith Kline was the only US company selling the anti-ulcer drug, Tagamet. The enormous sales of Tagamet raised the company's total turnover to $4.3 billion per annum. However, in the past year, Glaxo and Roche have made deep inroads into the American market for anti-ulcer drugs with the Glaxo product Zantac. As a result, Tagamet sales have dropped by 30 per cent, giving ulcers to Smith Kline's top management and the company's institutional shareholders. Smith Kline's president, James Cavanaugh, has had to leave.

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TRANS WORLD
TWA

A zoom in income

TWA

Massive damages won

TWA has reported a sharp rise in income consequent on winning its $50 million lawsuit instituted in 1962 against the company's former owner, the late multi-millionaire Howard Hughes. The basis of the case was that the airline was mismanaged by Hughes during his ownership. The damages have been awarded against Summa Corporation, which is the main holding company controlling the Hughes estate.

GRAND METROPOLITAN

Sale of Intercontinental Hotels

Grand Metropolitan, the UK-based beer, food and hotels group has announced that it intends to sell its subsidiary, the Intercontinental Hotels group, at a minimum asking price of £1.5 billion. Intercontinental has 100 hotels in 47 countries and was purchased by Grand Metropolitan in 1981 for $500 million.

Possible buyers for Intercontinental include Trust House Forte, Holiday Inn, Sheraton, and Hyatt.

BICC

Purchase of Ceat Cavi

The British Insulated Callendars Cables (BICC) has agreed to purchase the cable business of Ceat, one of Italy's top tyre and cable manufacturing companies. This represents BICC's first major foray into the European market. "This acqu
tion is an important step in our prepa
tion to take full advantage of
integration of European markets," s
Robin Biggam, BICC's chief executive

BRITISH AMERICAN TOBACCO

US takeover battle

The cigarette, paper and insurance gi
British American Tobacco (BAT), is
gaged in a prolonged battle to take o
the Los Angeles-based insurance co
pany, Farmers Group. BAT is bidding $
billion for the insurance company,
the takeover attempt has been stalled
Farmers, which has filed lawsuits agai
BAT in a number of states in the
where it operates. BAT recently move
step forward towards its objective, follo
ing the decision of the California superi
court in its favour. Ohio has also ruled
favour of BAT, but suits are still to
settled in a number of other US state

STANDARD CHARTERED

Dispute over insider trading funds

Standard Chartered Bank is caught be
ween lawsuits over a $12 million depo
by Fred Lee, a Chinese businessman, w
is charged with insider trading frauds
the US. Lee made a deposit with Sta
dard Chartered in Hong Kong, but the
Securities and Exchange Commissi
has secured an order from a New Yo
court requiring Standard Chartered
hand over the money to the court.

The bank plans to appeal on groun
that the New York court does not ha
jurisdiction over funds deposited in Ho
Kong.

■ ABHIJIT S